



San Joaquin Valley

UNIFIED AIR POLLUTION CONTROL DISTRICT

State of California

COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2014



Prepared by
Administrative Services Department

This page is intentionally left blank.



San Joaquin Valley Unified Air
Pollution Control District
State of California

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2014

Prepared By:
Administrative Services Department

This page is intentionally left blank.

San Joaquin Valley Unified Air Pollution Control District

Comprehensive Annual Financial Report Year Ended June 30, 2014

Table of Contents

Page

INTRODUCTORY SECTION

Letter of Transmittal	i - xii
Organization Chart	xiii
Governing Board	xiv
GFOA Certificate	xv

FINANCIAL SECTION

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 17
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balance	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Notes to the Basic Financial Statements	24 - 39
Required Supplementary Information:	
General Fund – Budgetary Comparison Schedule	43
Notes to the Schedule of General Fund Budgeted and Actual Expenditures – Budgetary Basis	44
Schedule of Funding Progress	45

Table of Contents

Page

STATISTICAL SECTION

Net Position	
Statement of Net Position – Last Ten Fiscal Years	49
Changes in Net Position – Last Ten Fiscal Years	50
Fund Balances	
Fund Balances, General Fund – Last Ten Fiscal Years	51
Changes in Fund Balance, General Fund – Last Ten Fiscal Years	52
District Revenues	
Revenues by Program Activity – Last Five Fiscal Years	53
DMV Surcharge Fees – Eight County Area – Last Ten Fiscal Years	54
District Expenditures	
Expenditures by Program Activity (Accrual Basis) – Last Five Fiscal Years	55
Operating Expenditures by Budget Object Level – Last Ten Fiscal Years	56
Salary and Benefit Expenditures – Last Ten Fiscal Years	57
Operating Information	
District Employees by Program – Last Ten Fiscal Years	58
Capital Asset Statistics by Program – Last Five Fiscal Years	59
Operating Indicators by Program – Last Ten Fiscal Years	60
Population	
Eight County Population – Last Ten Calendar Years	61
Demographic and Economic Information	
Eight County Personal Income – Last Ten Calendar Years	62
Eight County Per Capita Personal Income – Last Ten Calendar Years	63
Eight County Unemployment Rates – Last Ten Fiscal Years	64
Miscellaneous	
Miscellaneous Statistics	65

This page is intentionally left blank.



San Joaquin Valley Unified Air Pollution Control District

December 29, 2014

Governing Board
San Joaquin Valley Unified Air Pollution Control District

This Comprehensive Annual Financial Report (CAFR) of the San Joaquin Valley Unified Air Pollution Control District (District) is for the fiscal year ended June 30, 2014. Responsibility for the accuracy of the data, the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position, changes in financial position, and all disclosures necessary to enable the reader to gain an understanding of the District's financial activities.

ABOUT THE SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

Background

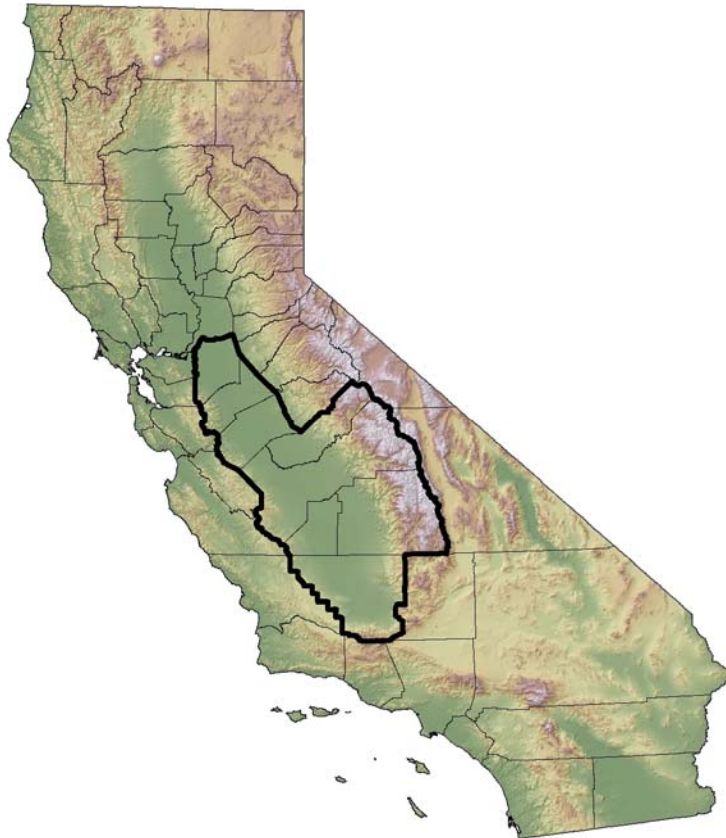
The District began operation on March 20, 1991 as a unified air pollution control district operating under the provisions of Sections 40150 through 40162 of the California Health and Safety Code. The District is a regional agency responsible for air quality management in the eight counties in the San Joaquin Valley Air Basin: San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, Tulare and the Valley portion of Kern. The San Joaquin Valley Air Basin is the largest air basin in California and covers about 25,000 square miles (see map next page). The San Joaquin Valley (Valley) is one of California's fastest growing population areas, with a total estimated population of about 3.96 million residents in the year 2014. Major urban centers exist in Stockton, Modesto, Fresno, Visalia, and Bakersfield.

The District works with local, state and federal government agencies, the business community and the residents of the Valley to reduce emissions that create harmful air quality conditions.

The District is governed by a fifteen member Board that consists of one representative from each of the Board of Supervisors of all eight counties, five Council Members from Valley cities and two governor-appointed public members. These locally elected and appointed officials ensure that the implementation of

state and federal air pollution mandates in the Valley are tailored to local conditions and responsive to local needs.

San Joaquin Valley Unified Air Pollution Control District Jurisdictional Boundaries



Achieving Cleaner Air in the San Joaquin Valley

For the second year in a row, the Valley in 2014 had zero violations of the hourly ozone standard established under the federal Clean Air Act. In 1996, the Valley experienced 281 violations of this hourly standard throughout the eight-county region. The number of violations of the standard dropped to zero in 2013 and remained zero in 2014. Reaching this milestone has been the key focus of the Valley's air quality management strategies for more than two decades. In 2004, the U.S. Environmental Protection Agency (EPA) classified the Valley as "Extreme" non-attainment for this standard, meaning that reaching the standard at the time was deemed impossible. The Valley will be the first and only region in the nation to attain a standard after being classified as "Extreme" nonattainment by the federal EPA.

Despite these major improvements, the Valley still faces significant challenges in meeting the newest air quality standards, and cleaner air will still require

continued focus on all sources of emissions and participation by all government sectors, business entities, and individuals throughout the Valley.

The District has the primary authority in regulating stationary sources of pollution, such as factories, businesses, and industries. Although state and federal laws preempt the District from setting new tailpipe standards for mobile sources of emissions, the District implements indirect source regulations and incentive-based programs to reduce emissions from on-road and off-road sources of air pollution. The primary authority to regulate emissions from mobile sources of air pollution, such as cars and trucks, lies with the state and federal government. In achieving clean air goals, the District partners with a number of other governmental agencies:

- The **federal government**, primarily through the EPA, sets health-based standards for air pollutants. The EPA also oversees state and local actions to improve air quality.
- The **state government**, through the California Air Resources Board (ARB) and the Bureau of Automotive Repair, develops programs to reduce pollution from vehicles and consumer products. The state also oversees the actions of local air districts and city and county agencies.
- **County and city governments** are responsible for land-use planning to address issues such as “urban sprawl” as well as transportation and mass transit planning.

Progress in cleaning our air is often measured in relation to the health-based standards established by the federal government. The State of California also establishes ambient air quality standards that serve as ultimate goals in achieving clean air.

In a regulatory sense, the road to cleaner air can be described as follows:

- EPA establishes the health standards.
- EPA identifies the regions that do not meet the new standards.
- EPA establishes deadlines for meeting the new standards and for submitting plans to get there.
- In collaboration with ARB, the District develops air quality plans outlining strategies needed to reduce emissions and meet the new standards.
- ARB forwards the plans for EPA approval after it reviews, approves, and adds state strategies.
- The District, ARB, and EPA adopt and implement plan commitments.
- The District provides routine updates and progress reports.

How the District Does Its Job

The Valley Air District is a public health agency whose mission is to improve the health and quality of life for all Valley residents through efficient, effective

and entrepreneurial air quality-management strategies. Toward that end, the District conducts the following activities:

- Develops and adopts **air quality plans** outlining strategies needed to reduce emissions.
- Develops, adopts and implements **rules and regulations** to reduce emissions.
- Organizes and promotes efforts to achieve early attainment through the **Fast Track Strategy**.
- Administers an efficient and comprehensive **permitting** system for stationary sources and offers meaningful business assistance to the regulated community in meeting applicable regulations.
- Maintains and updates an **inventory of emissions** from various Valley sources on an ongoing basis.
- Maintains an active and effective **enforcement** program.
- Administers **voluntary incentive grants** offering financial assistance to reduce air pollution.
- Operates an extensive **air monitoring** network to measure air pollutants throughout the Valley and track air quality improvements.
- Conducts comprehensive **public education and outreach**.
- Continues to set high standards in **legal activities**.
- Collaborates with **state and local agencies**.

MAJOR ACCOMPLISHMENTS FOR 2013-14

Air Quality Plans

The District has written several air quality plans (State Implementation Plans, or SIPs) over the years that serve as road maps for the new measures needed for the Valley to reach federal air quality standards. The District's air quality plans include emissions inventories showing the sources of air pollutants, evaluations of how well different control methods have worked, and a strategy for how air pollution will be further reduced. The air quality plans also use computer modeling to estimate future levels of pollution and to ensure that the Valley will meet air quality goals as expeditiously as practicable. In September 2013, the District Governing Board adopted the *2013 Plan for the Revoked 1-hour Ozone Standard* (required by a recent Ninth Circuit Court decision). The plan was subsequently adopted by ARB and then submitted to EPA.

The District continues to implement commitments in previously adopted air quality plans and prepares for upcoming attainment plans. Upcoming air quality plans will include plans for EPA's 1997 PM_{2.5} standard under Clean Air Act Subpart 4 requirements which is due to EPA in 2015, EPA's 2006 PM_{2.5} standard under Clean Air Act Subpart 4 requirements due to EPA in 2016, EPA's 2008 8-hour ozone standard due to EPA prior to 2016 and EPA's 2012 PM_{2.5}

standard likely due to EPA in 2016. The District will also track EPA efforts to again revise the 8-hour ozone standard, with EPA's proposal expected in 2015.

Rules and Regulations

The Valley Air District continues its leadership in developing groundbreaking regulatory strategies to reduce emissions. Tough, innovative rules such as the District's rules for indirect source review, residential fireplaces, glass manufacturing, and agricultural burning have set benchmarks for California and the nation. Of the 30 regulatory control measures in recent air quality plans, the District has adopted all but two rule amendments, which are scheduled for adoption before 2016. New rule commitments for future years will be considered in upcoming air quality plans, including the next 8-hour ozone plan to be adopted in 2015 or 2016. The following rule actions highlighted fiscal 2013-14:

Boilers, Steam Generators, and Process Heaters – 0.075 MMBtu/hr to less than 2.0 MMBtu/hr (Rule 4308): Rule 4308 is the District's point of sale rule for boilers, steam generators, and process heaters in the size range of 0.075 to less than 2.0 MMBtu/hr. The District committed to amending Rule 4308 in the *2008 PM_{2.5} Plan* and in the *2012 PM_{2.5} Plan*. Rule amendments lower the NO_x emission limit for natural gas-fired instantaneous water heaters (also known as tankless water heaters) in the size range of 0.075-0.4 MMBtu/hr from the current level of 55 ppmv to 20 ppmv. As a point of sale rule, the emission reductions will occur over the next 20 years (the lifespan of an instantaneous water heater) from 2015 through 2034 as existing instantaneous units are replaced with new instantaneous units. Rule amendments will result in a reduction of 1.82 tons per year of NO_x emissions, reflecting a 62.3% reduction in emissions.

Internal Combustion Engines (Rule 4702): The District did not commit to amend Rule 4702 in any air quality plans beyond the 2011 rule amendment commitments. However, the District amends rules beyond those committed to in air quality plans to ensure District rules are as up-to-date as practicable. In November 2013, Rule 4702 was amended to ensure clarity regarding rule requirements and to minimize potential confusion with affected sources. These amendments clarified the then existing NO_x emission limit for waste gas fueled lean burn engines.

Gasoline Transfer Into Motor Vehicle Fuel Tanks (Rule 4622) and Gasoline Transfer Into Stationary Storage Containers, Delivery Vessels, and Bulk Plants (Rule 4621): The District did not commit to amend Rules 4622 and 4621 in any recently adopted air quality plans. As previously stated, the District amends rules beyond those committed to in air quality plans to ensure the rules are as up-to-date as practicable. In December 2013, the District's Governing Board adopted amendments to Rules 4622 and 4621 to eliminate redundant, obsolete and unnecessary regulatory requirements from these two rules. The adopted amendments did not change existing emission limits or result in detrimental impacts on air quality.

Permitting

The District has the responsibility for issuing or denying permits, registrations and plan approvals for more than 30,000 non-mobile sources of air contaminants, and for tracking and assessing the impacts of these facilities' annual pollutant emissions. During this reporting period, permitting activities included:

- 3,575 Authority to Construct permits issued
- 127 new Permits to Operate issued
- 480 Permit-Exempt Equipment Registrations issued
- 214 new Title V permits issued to 13 facilities
- 1,284 Title V permit renewals issued to 17 facilities
- 1,616 Title V permit modifications
- 260 Conservation Management Practices plans issued
- 492 Emission Reduction Credit certificates issued or transferred
- 853 toxic air contaminant risk-management reviews performed
- 6,758 annual emissions inventory statements and surveys processed
- 1,769 California Environmental Quality Act (CEQA) review requests processed
- 658 CEQA comment letters and 77 CEQA documents prepared
- 200 Indirect Source Review applications processed
- 271 Employer Trip Reduction Implementation Plans (eTRIP)

Enforcement

The District maintains an active and effective enforcement program to assure real and continued reductions in emissions. The District inspects sources of air pollution, including all facilities with permits issued by the District. When sources are found in violation of District rules and regulations, citations are issued and monetary fines are levied. For 2013-14:

- 37,422 units inspected
- 2,810 Notice of Violation issued
- 3,379 public complaints investigated
- 1,526 open burn sites inspected
- 5,503 incentive funding units (i.e., trucks, engines) inspected
- 902 asbestos projects reviewed and inspected

Voluntary Incentive Grants

To attain the current health-based air quality standards for ozone, the Valley requires at least 75% in NO_x reductions from the 2005 level. The District, however, has limited legal authority to achieve these emission reductions, as mobile sources comprise 80% of the Valley's NO_x emission inventory. Thus, District regulations alone will not bring the Valley into attainment of federal air quality standards. Voluntary incentive programs play a critical role in achieving and accelerating the reductions required for the Valley's attainment.

Since inception, the District has awarded more than \$676 million in incentives, resulting in more than 116,000 tons of lifetime emission reductions. During the 2013-14 fiscal year, the District executed more than 6,000 agreements for more than \$82 million. These projects are expected to reduce more than 8,000 tons of lifetime emissions.

The District's incentive program has become a model for grant programs throughout the State. In recent state audits, the District was noted for its efficient, robust and effective use of incentive grant funds in reducing air pollution. The District funds the following types of projects:

- Diesel agriculture irrigation pump replacements
- Emerging technology demonstration projects
- Electric forklift purchases
- Bicycle path construction
- On-road and off-road vehicle engine replacements, engine retrofit and vehicle replacements
- Wood-stove replacements
- School bus replacements and retrofits
- Gross-polluting vehicle crushing and replacements
- New, clean vehicle purchases
- Transit pass subsidies
- Locomotive replacements
- E-mobility equipment
- Vanpools
- Lawn and garden equipment
- Zero-emission agricultural utility terrain vehicles
- Alternate fuel mechanic training

The District has received high marks for efficiency and accountability in our administration of these programs by ARB and EPA auditors in the past. In fact, District incentive program policies and procedures are often used as examples of "best practices" that other programs throughout the State can emulate, and the District has been awarded administration of grant funds for other air agencies as a result.

Comprehensive Public Education and Outreach

The Valley Air District's Outreach and Communications Department continues to set the standard for innovative, effective and efficient outreach strategies and campaigns. Operating with a budget much less than other air management agencies statewide, the District's outreach department nonetheless is just as effective in conveying critical public information, policy and air quality news.

The District's Outreach and Communications team, a highly skilled group of communications professionals with expertise in public relations, media, graphics and web design, audio-video production and event organization, continues to

expand its activities and District messaging in the Valley air basin through programs tailored to each sector in the broader community. The District continues to spearhead many important seasonal campaigns, including:

- **Check Before You Burn:** This annual multimedia, multilingual outreach campaign runs from November through February, and is credited with the Valley achieving unprecedented improvements in wintertime air quality.
- **Drive Clean:** Electric vehicle workshops were hosted in partnership with the California Center for Sustainable Energy (CCSE) in Fresno and Modesto. The workshops featured presentations by the District and CCSE staff, as well as representatives of utility providers and owners' panels, about the technology behind the newest plug-in vehicles, generous incentives for their purchase and the experience of driving them. Attendees were given the opportunity to investigate a variety of electric vehicles on site, as well.
- **Tune In, Tune Up** is a program designed to identify and repair high-emitting vehicles. The Tune In, Tune Up program is operated in partnership with Valley Clean Air Now, which has a long history of successfully implementing this program, and excels at reaching residents in environmental justice communities who otherwise may not be able to afford costly vehicle repairs. Reaching this key demographic is essential as the emission reductions are most needed in low-income communities, which are historically home to the greatest percentage of high-emitting vehicles. Through weekend events held throughout the Valley in 2013-14, participating residents could have their vehicles screened to determine if they qualified for emissions-related repairs at little to no cost to them. In the Tune In, Tune Up program, vehicle owners bring their vehicles to one of the program's weekend events, where an emissions test is performed to determine the likelihood of that vehicle failing the required biennial smog test. Owners of vehicles that fail this initial screening are provided with vouchers that are redeemable at participating smog shops for up to \$650 in emissions-related repairs. Once the vehicle is repaired, confirmatory smog tests are conducted that can then be used for vehicle re-registration purposes. As a recent new feature of this program, vehicles better suited for replacement are identified and residents are offered incentives to assist them in replacing their high polluting vehicle with a clean vehicle.

FACTORS AFFECTING FINANCIAL CONDITION

The District's operations are primarily supported by permit and auto registration fees, as well as state and federal grant revenue. In addition, the District receives penalties, settlements, interest and other miscellaneous revenues.

The enforcement of the Section 185 non-attainment federal penalty for the 1-hour ozone standard resulted in the District's Governing Board devising a solution that minimized individual impact to Valley residents and ensured these funds would return to the Valley for investment in clean-air projects. During 2011, the District's Governing Board adopted the federally mandated ozone nonattainment fee (Rule 3170). In addition, the Board approved an increase of \$12 to the DMV fees permitted by Assembly Bill 2522 passed in 2008. These funds are returned to Valley residents and businesses in the form of grants and incentives to assist in reducing emissions.

During this period, the District continued to devise and implement a number of efficiency and streamlining measures aimed at minimizing operating costs while delivering a high level of customer service. Additionally, through strict position control, the District was able to achieve 7% in salary savings. Overall, the District was able to reduce its actual operating expenses by \$3.X million below the budgeted amount, and with the use of available reserves, was able to achieve a balanced budget in 2013-14.

Long-term Financial Planning

While the District's permit fee and DMV revenues are relatively stable, the current state of the economy continues to dampen any growth in these fees. Operating costs, however, continue to grow due to inflation, increased state and federal mandates, and rising pension costs. In an effort to slow escalating pension costs, the District negotiated a new three year term Memorandum of Understanding (MOU) with its employees, which added a second retirement tier for new employees hired on or after July 31, 2012. This in addition to the adoption and implementation of the California Public Employees' Pension Reform Act of 2013 (PEPRA) is expected to slow down the rate of increase in the District's pension costs. The District will continue to look for additional opportunities within the bounds of applicable laws to reduce the District's long term pension costs. Despite the District's commitment to always explore cost-cutting measures, it is anticipated that the unavoidable rise in operating costs may necessitate a modest permit fee increase.

FINANCIAL CONTROLS

Annual and Independent Audit

It is the policy of the District to have an annual audit performed by an independent certified public accounting firm appointed by the District's Governing Board. Brown Armstrong Accountancy Corporation conducted the independent audit of the District's financial statements for the fiscal year ended June 30, 2014. The auditor's unqualified opinion on the basic financial statements is included in the Financial Section of this report.

As part of the District's annual audit engagement, the auditors review the District's internal control structure, as well as compliance with applicable laws and regulations. The results of the District's annual audit for the fiscal year ended June 30, 2014 provided no instances of material weaknesses in connection with the internal control structure or violations of applicable laws and regulations.

As recipients of federal and state financial resources, the District is required to undergo an annual single audit. The information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations and auditor's reports on the internal control structure and compliance with applicable laws and regulations are included in a separately issued report.

Internal Accounting Controls

Management of the District is responsible for establishing, maintaining and evaluating the District's accounting system with an emphasis on the adequacy of an internal control structure. The internal accounting controls are designed to: ensure that the assets of the government are protected against loss, theft or misuse; ensure the reliability of adequate accounting data for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America; and provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable assurance recognizes that the costs of control should not exceed the benefits likely to be derived from it and that the evaluation of costs and benefits require estimates and judgment be made by management.

The District's internal control evaluations occur within the above framework, which ensures adequate safeguard of the District's assets and reasonable assurance of proper recording of financial transactions.

Budgetary Control

In accordance with the provisions of the State Health and Safety Code Section 40131, the District's Formation Agreement, and the District's Administrative Code, the District prepares and legally adopts a final balanced budget on or

before June 30 of each fiscal year. The final adopted budget is available for review on the District's Website, www.valleyair.org.

Budgetary control is exercised at the object level. All amendments or transfers of appropriations between these levels are authorized by the Executive Director/Air Pollution Control Officer (APCO) and must be approved by the District Governing Board. Supplemental appropriations financed by unanticipated revenues also must be approved by the Board.

Expenditures, except for capital outlays, are controlled at the object level for all program budgets within the District. Capital outlays are controlled at the sub-object level. There are no excess expenditures over the related appropriations in any object. Budgeted amounts are reported as amended.

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes. Encumbrance accounting is utilized for budgetary control and accountability and to facilitate effective cash planning and control.

Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as assigned fund balance for subsequent year expenditures.

The accounting principles applied in developing budgetary expenditures data differ from the amount reported on the financial statements in conformity with accounting principles generally accepted in the United States of America. Reconciliation of the differences is presented in the Required Supplementary Information section of this report.

OTHER INFORMATION

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the San Joaquin Valley Unified Air Pollution Control District for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the first year that the government has applied for and achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The dedicated services of the District Finance team made the preparation of our comprehensive annual financial report possible.

Recognition is also given to the Governing Board for their leadership and support and to all employees of the District who continue to promote technology and improve operations to accomplish the District's mission of protecting public health from air pollution in an efficient and cost effective manner.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Seyed Sadredin', with a long horizontal flourish extending to the right.

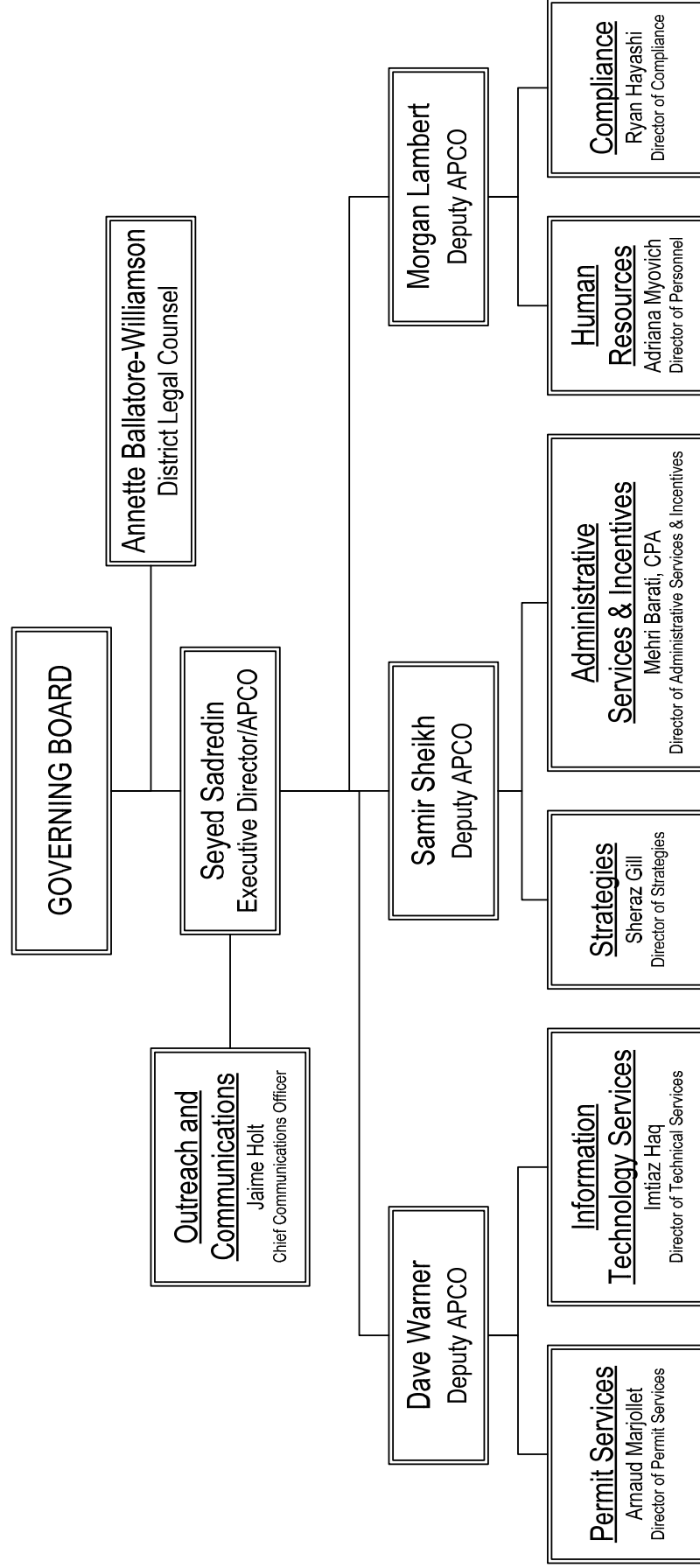
Seyed Sadredin
Executive Director/Air
Pollution Control Officer

A handwritten signature in blue ink, appearing to read 'Mehri Barati', with a long horizontal flourish extending to the right.

Mehri Barati, C.P.A.
Director of Administrative
Services

San Joaquin Valley Unified Air Pollution Control District

June 30, 2014



San Joaquin Valley Unified Air Pollution Control District

Governing Board

June 30, 2014

Hub Walsh, Chair
Supervisor, Merced County

Tom Wheeler, Vice Chair
Supervisor, Madera County

Oliver L. Baines III
Councilmember, City of Fresno

Tony Barba
Supervisor, Kings County

Skip Barwick
Councilmember, City of Tulare

Sally Bompreszi
Councilmember, City of Madera

Dennis Brazil
Mayor, City of Gustine

John Capitman, Ph.D.
Appointed by Governor

Judith Case McNairy
Supervisor, Fresno County

David Couch
Supervisor, Kern County

Bob Elliott
Supervisor, San Joaquin County

Harold Hanson
Councilmember, City of Bakersfield

William O'Brien
Supervisor, Stanislaus County

Alexander C. Sherriffs, M.D.
Appointed by Governor

J. Steven Worthley
Supervisor, Tulare County

Syed Sadredin
Executive Director - Air Pollution Control Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**San Joaquin Valley
Unified Air Pollution Control District
California**

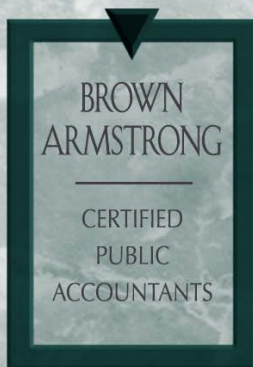
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

This page is intentionally left blank.

This page is intentionally left blank.



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Governing Board
San Joaquin Valley Unified Air
Pollution Control District
Fresno, California

MAIN OFFICE

4200 TRUXTUN AVENUE

SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

7673 N. INGRAM AVENUE

SUITE 101
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

221 E. WALNUT STREET

SUITE 260
PASADENA, CALIFORNIA 91101
TEL 626.204.6542
FAX 626.204.6547

5250 CLAREMONT AVENUE

SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of San Joaquin Valley Unified Air Pollution Control District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of the District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As noted in Note 1 to the financial statements, during the year ended June 30, 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which modified the current financial reporting of those elements. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for general fund, and schedule of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

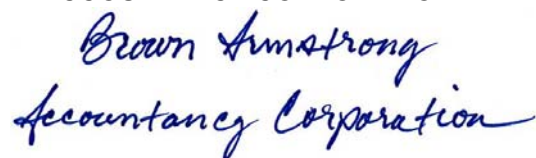
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong" on the first line and "Accountancy Corporation" on the second line.

San Joaquin Valley Unified Air Pollution Control District

Management's Discussion and Analysis

June 30, 2014

Our discussion and analysis of the San Joaquin Valley Unified Air Pollution Control District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the transmittal letter and the basic financial statements.

A. Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$168.5 million (*net position*). Of this amount, \$114.2 million is restricted for specific purposes, \$9.1 million is net investment in capital assets, and \$45.2 million (*unrestricted net position*) may be used to finance the District's day-to-day operations without constraints established by legal requirements.
- The District's total net position increased \$1.4 million as compared to the prior fiscal year. The majority of this increase was related to a significant increase in restricted special revenue sources, such as Proposition 1B grant funding, that was received this year in comparison to last year.
- The District's Governmental Fund reported a total fund balance of \$162.4 million at year-end, a \$1.6 million increase as compared to the prior year-end balance. Approximately \$114.2 million of this balance is contractually or legally restricted for incentive programs; \$33.3 million represents fund balance assigned to specific purposes such as community incentive programs, and encumbrances. This District reported \$13.3 million unassigned fund balance at the end of fiscal year 2013-14.
- Total District revenues exceeded total District governmental fund expenditures by \$1.6 million. This was due primarily to an increase in restricted special revenue sources being received this year in comparison to last year.

B. Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements have three components: 1) Government-wide Financial Statements, 2) Fund Financial

Management's Discussion and Analysis

Statements, and 3) Notes to the Basic Financial Statements. The District's Comprehensive Annual Financial Report (CAFR) also includes required supplementary information to the Basic Financial Statements. In general, the purpose of financial reporting is to provide external parties that read the financial statements with information that will help them make decisions or draw conclusions about an entity. In order to address the needs of as many parties as reasonably possible, the District, in accordance with required reporting standards, presents government-wide financial statements and fund financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to commercial enterprises or a private-sector business. These financial statements include the Statement of Net Position and the Statement of Activities.

The Statement of Net Position reports all assets held and liabilities owed by the District on a full accrual basis of accounting. The difference between the two is reported as *net position*. This difference is comparable to total stockholders' equity presented by a commercial enterprise. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities reports the net cost of the District's activities by program and is prepared on the full accrual basis of accounting. Revenues and expenses are recognized as earned and incurred even though they may not have been received or paid in cash.

The focus of the Statement of Activities is on the cost of various program activities performed by the District. The Statement begins with a column that identifies the cost of each of the District's major programs. Another set of columns identifies the revenues that are specifically related to these activities. The difference between the expenses and the revenues related to specific program activities represents the net cost or revenue of the program. This determines the amount, if any, drawn from general revenues by each program activity.

The District's government-wide financial statements are presented on pages 18 and 19 of this report.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole.

Management's Discussion and Analysis

Governmental Fund

The fund financial statements consist of the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance. These are prepared on the modified accrual basis of accounting. See Note 1, section (B), which explains the modified accrual basis of accounting. In contrast, the government-wide financial statements are prepared on the full accrual basis of accounting.

The District's Balance Sheet is presented on page 20 and Statement of Revenues, Expenditures, and Changes in Fund Balance is presented on page 22 of this report.

The focus of the fund financial statements is narrower than that of the government-wide financial statements. Since different accounting bases are used to prepare the above statements, a reconciliation is required to facilitate the comparison between the fund statements and the government-wide statements. The reconciliation of the total fund balance and total net position reported in these two statements can be found on page 21 of this report.

The reconciliation of the total changes in fund balance for all governmental funds to the change in net position can be found on page 23 of this report.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 24 to 39 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the budgetary comparison schedule and budgetary reconciliation. The Notes to the Schedule of General Fund Budgeted and Actual Expenditures can be found on page 44 of this report. The Schedule of Funding Progress for the pension plan can be found on page 45.

C. Government-wide Financial Analysis

Our analysis focuses on the net position and the changes in net position of the District's governmental activities.

Management's Discussion and Analysis

The following schedule is a condensed Statement of Net Position as of the year ended June 30, 2014, as compared to the prior fiscal year.

Statement of Net Position (In Thousands)

	Fiscal Year 2013-14	Fiscal Year 2012-13	Increase (Decrease)	Percent Change
Current and other assets	\$ 164,321	\$ 162,777	\$ 1,544	0.9%
Capital assets	<u>9,117</u>	<u>9,298</u>	<u>(181)</u>	<u>-1.9%</u>
Total assets	173,438	172,075	1,363	0.8%
Current liabilities	2,096	2,124	(28)	-1.3%
Noncurrent liabilities	<u>2,821</u>	<u>2,840</u>	<u>(19)</u>	<u>-0.7%</u>
Total liabilities	4,917	4,964	(47)	-0.9%
Net position:				
Net investment in capital assets	9,117	9,298	(181)	-1.9%
Restricted for special projects/programs	114,186	117,304	(3,118)	-2.7%
Unrestricted	<u>45,218</u>	<u>40,509</u>	<u>4,709</u>	<u>11.6%</u>
Total net position	<u><u>\$ 168,521</u></u>	<u><u>\$ 167,111</u></u>	<u><u>\$ 1,410</u></u>	<u><u>0.8%</u></u>

The District's total net position increased \$1,410,518 from the prior fiscal year. The majority of this increase was related to a significant increase in restricted special revenue sources, such as Proposition 1B grant funding that was received this year in comparison to last year.

The District's total liabilities decreased \$47,338 from the prior fiscal year. Current Liabilities decreased \$28,216. This was mostly due to a decrease from the prior year in the amount of deferred Diesel Emission Reduction Program (DERA) revenues that had been received before June 30, 2014 but not yet earned. The decrease in liabilities was offset slightly by a higher level of accrued wages that were posted this year as compared to fiscal year 2012-13. Noncurrent Liabilities decreased by \$19,122 due to decreased compensated absences payable at year end.

Of the District's total net position, 67.8% are legally or contractually restricted to expenditures for incentives and grants, and 26.8% are unrestricted and may be used to meet the District's ongoing obligations without legal constraint. Additionally 5.4% are net position in the form of capital assets (e.g. land, buildings, equipment, and vehicles). Consequently, these assets are not available for future spending.

Management's Discussion and Analysis

The following is a condensed schedule of Changes in Net Position for the fiscal year ended June 30, 2014, as compared to the prior year.

Changes in Net Position (In Thousands)				
	Fiscal Year 2013-14	Fiscal Year 2012-13	Increase (Decrease)	Percent Change
Revenues:				
Program revenues:				
Fees and charges - stationary sources	\$ 23,372	\$ 24,768	\$ (1,396)	-5.6%
Fees and charges - mobile sources	13,945	11,480	2,465	21.5%
Operating grants	2,032	2,034	(2)	-0.1%
Restricted special revenue sources	82,255	58,848	23,407	39.8%
General revenues:				
State subvention - not restricted	917	923	(6)	-0.7%
Interest - not restricted	1,050	920	130	14.1%
Penalties/settlements	4,204	3,896	308	7.9%
Miscellaneous revenue	71	150	(79)	-52.7%
Total revenues	127,846	103,019	24,827	24.1%
Expenses:				
Permitting	13,987	14,222	(235)	-1.7%
Enforcement/air monitoring/agricultural burning	12,560	12,112	448	3.7%
Plan and rule development	1,781	1,540	241	15.6%
Mobile sources	4,526	4,380	146	3.3%
Outreach and communications	2,454	2,325	129	5.5%
Air quality analysis	3,500	3,097	403	13.0%
Restricted for grants and other uses	87,628	86,518	1,110	1.3%
Total expenses	126,436	124,194	2,242	1.8%
Increase (decrease) in net position	1,410	(21,175)	22,585	-106.7%
Net position - beginning	167,111	188,286	(21,175)	-11.2%
Net position - ending	\$ 168,521	\$ 167,111	\$ 1,410	0.8%

Governmental Activities

The objective of the Statement of Activities is to report the full cost of providing government services for the year. The format also permits the reader to ascertain the extent to which each function is either self-financing or draws from the general revenues of the District.

The Statement of Activities presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event occurs regardless of the timing of the cash flows.

Management's Discussion and Analysis

Fees, grants, state subvention, penalties, and settlements predominantly support the governmental functions of the District. The primary governmental activities of the District include the following: Permit Services, Enforcement/Air Monitoring/Agricultural Burning, Plan and Rule Development, Mobile Source, Outreach and Communications, Air Quality Analysis, and Grants and Other Special Uses. The following is a schedule of Revenues by Major Source for the fiscal year ended June 30, 2014, as compared to the prior year.

Revenues by Major Source Governmental Activities (In Thousands)

	Fiscal Year <u>2013-14</u>	Fiscal Year <u>2012-13</u>	Increase <u>(Decrease)</u>
Stationary Sources	\$ 23,372	\$ 24,768	\$ (1,396)
Mobile Sources	13,945	11,480	2,465
Operating Grants	2,032	2,034	(2)
General Revenues *	6,242	5,889	353
Restricted Special Revenue Sources	<u>82,255</u>	<u>58,848</u>	<u>23,407</u>
	<u><u>\$ 127,846</u></u>	<u><u>\$ 103,019</u></u>	<u><u>\$ 24,827</u></u>

* Includes State Subvention, Interest, Penalties and Settlements, and other Miscellaneous Revenues that are not restricted to specific programs.

Following are explanations of the significant revenue variances from the prior fiscal year:

Stationary Source Revenue

- Stationary Source Revenue decreased \$1,395,420 compared to the prior fiscal year. The majority of this decrease was due to the biennial fees the District collected last fiscal year but not this year as well as a reduction in Advanced Emission Reduction Options (AERO) fees received.

Mobile Source Revenue

- Mobile Source Revenue shows an increase of \$2,465,296 compared to the prior fiscal year. Higher than expected Department of Motor Vehicles (DMV) revenues and an increase in administrative fees were the primary reasons for this increase.

Management's Discussion and Analysis

Operating Grant Revenue

- Operating Grant Revenue was stable and only decreased \$2,093 compared to the prior fiscal year.

	Fiscal Year 2013-14	Fiscal Year 2012-13	Increase (Decrease)
Grant Revenue			
EPA 105 Grant	\$ 1,923,902	\$ 1,928,345	\$ (4,443)
EPA 103 Grant	108,175	105,825	2,350
Total Grant Revenue	<u>\$ 2,032,077</u>	<u>\$ 2,034,170</u>	<u>\$ (2,093)</u>

General Revenues

General Revenue increased \$353,979 as compared to the prior fiscal year due to a higher level of Penalty and Settlement revenue received.

Restricted Special Revenue Sources

- Restricted Special Revenue increased \$23,406,492 compared to the prior fiscal year. The table below details the major changes to the various incentive programs that make up this increase. Changes are due to the availability of and/or timing of the receipt of grant and other funding sources.

Incentive Program	Fiscal Year 2013-14	Fiscal Year 2012-13	Increase (Decrease)
DMV Surcharge Fees	\$ 43,424,385	\$ 41,655,916	\$ 1,768,469
Carl Moyer Program	8,280,310	7,986,070	294,240
Proposition 1B	22,827,299	3,747,213	19,080,086
Lower Emission School Bus Program	24,868	39,160	(14,292)
Federal Diesel Earmark Grant	2,118,045	1,986,307	131,738
Lawn & Garden Replacement	-	410,295	(410,295)
Diesel Emission Reduction Act	456,299	319,081	137,218
Voluntary Emission Reduction	132,756	319,602	(186,846)
Agriculture Tractor Replacement Program	283,550	294,408	(10,858)
Indirect Source Mitigation Fees	3,735,404	1,003,387	2,732,017
Other Miscellaneous Incentives	971,803	1,086,788	(114,985)
Total	<u>\$ 82,254,719</u>	<u>\$ 58,848,227</u>	<u>\$ 23,406,492</u>

Management's Discussion and Analysis

Total District Expenses increased by \$2,242,270. The majority of this increase was related to grant related expenditures which were significantly higher compared to last year due to more funds being available. The following is a schedule of District expenses by activity for the fiscal year ending June 30, 2014 with a comparison of prior year expenditures.

Expenses by Activities			
Governmental Activities			
	Fiscal Year 2013-14	Fiscal Year 2012-13	Increase (Decrease)
Permitting	\$ 13,987,232	\$ 14,222,479	\$ (235,247)
Enforcement/Air Monitoring/Agricultural Burning	12,559,594	12,112,312	447,282
Plan and Rule Development	1,780,869	1,539,504	241,365
Mobile Source	4,526,521	4,379,931	146,590
Outreach & Communications	2,453,837	2,324,962	128,875
Air Quality Analysis	3,499,658	3,096,749	402,909
Total Operating Expenses	38,807,711	37,675,937	1,131,774
Restricted for Grants and Special Uses	87,628,449	86,517,953	1,110,496
Total District Expenses	<u>\$ 126,436,160</u>	<u>\$ 124,193,890</u>	<u>\$ 2,242,270</u>

D. Financial Analysis of the District's General Fund

General Fund

As of the end of the fiscal year, the District's General Fund reported an ending fund balance of \$162,441,160, an increase of \$1,591,019 in comparison with the prior year. Of the ending fund balance, 70.3% or \$114,186,493 is restricted for grants and incentives. The long-term contractual commitments related to these restricted programs involve multiple-year expenditures. The ending fund balance also includes 1.0% or \$1,592,242 not in spendable form for items that are not expected to be converted to cash, such as prepaid expenses, and 20.5% or \$33,345,417 assigned to be used for Community Incentive programs, encumbrances and other assignments of Fund Balance listed in Note 1.J on page 28 of this report.

At the end of the fiscal year, the District's Unassigned Fund Balance was \$13,317,008, a decrease of \$41,585 compared with the prior year. The majority of this decrease was related to a rise in salaries and benefits, driven by higher retirement costs and scheduled employee benefits enhancements, combined with a reduction of permit fees received this year as compared to the previous year, which was partially offset by an increase in settlement revenues.

Management's Discussion and Analysis

Operating Revenues

- Total Operating Revenues increased \$1,398,826 which was mainly due to increases in Settlements and additional Administrative funds received during fiscal year 2013-14.

Operating Expenditures

Total Operating Expenditures increased \$1,412,069 as compared to the prior fiscal year.

- Total salaries and benefits increased \$1,332,574 compared to the prior fiscal year. The major factors in this increase, offset by salary savings, were due to a rise in retirement costs of \$475,533, and employee cafeteria benefits, which rose due to a negotiated increase in the District's health benefit contribution, per the employees' Memorandum of Understanding.
- Total services and supplies increased \$171,521 from the prior fiscal year. This increase was due to additional expenditures in the professional and specialized services account for health and scientific research projects.
- Total capital outlay increased \$280,920 as compared to the prior fiscal year. This was primarily the result of a number of key projects and developments affecting the District's air monitoring stations reporting capabilities. The table below details the major changes to the various fixed asset accounts that make up this increase.

Account Title	Fiscal Year 2013-14	Fiscal Year 2012-13	Increase (Decrease)
Computer Equipment	\$ 436,720	\$ 473,600	\$ (36,880)
Telephone System	13,263	9,049	4,214
Automobiles	205,709	160,283	45,426
Office Improvements	71,377	193,420	(122,043)
Video Conferencing System	45,424	3,291	42,133
Air Monitoring Station Equipment	613,333	265,263	348,070
Total	<u>\$ 1,385,826</u>	<u>\$ 1,104,906</u>	<u>\$ 280,920</u>

- Total debt services decreased \$372,946 from the prior fiscal year. This decrease was due the capital lease term ending fiscal year 2012-13.

Management's Discussion and Analysis

Non-Operating Revenues

- Non-Operating Revenues increased \$23,406,492 mainly due to an increase in the amount of state and federal grant funds received, particularly Proposition 1B.

Non-Operating Expenditures

- Non-Operating Incentive Program expenditures increased \$1,110,496 compared to the prior fiscal year. This was primarily due to an increased level of DMV funds received that were then made available for expenditure to support the District's incentive programs. The table below details the major changes to the various Incentive Programs that make up this decrease.

Incentive Program Name	Fiscal Year 2013-14	Fiscal Year 2012-13	Increase (Decrease)
DMV Heavy-Duty Program	\$ 54,176,796	\$ 16,278,380	\$ 37,898,416
Carl Moyer Program	6,926,979	14,670,137	(7,743,158)
School Bus Retro/Replace Program	322,540	223,983	98,557
Peaker Plant Program	-	122	(122)
Air Shed - Ag Tractor Replacement	283,550	294,408	(10,858)
Traffic Congestion Relief Program	1,569,578	772,129	797,449
Voluntary Emission Reduction Agreements	354,391	382,650	(28,259)
ISR Rule Mitigation Program	798,528	6,908,691	(6,110,163)
Federal Diesel Earmark Grant	2,118,045	1,986,307	131,738
Proposition 1B Program	14,240,548	41,982,000	(27,741,452)
Lower Emission School Bus Program	2,390,866	792,036	1,598,830
Diesel Emission Reduction Act	457,481	317,185	140,296
Community Incentive Programs	3,202,148	704,698	2,497,450
Air Toxics	19,447	64,202	(44,755)
Misc. Incentive Grants	662,004	1,141,025	(479,021)
Hearing Board Incentive Grant	105,548	-	105,548
Total	<u>\$ 87,628,449</u>	<u>\$ 86,517,953</u>	<u>\$ 1,110,496</u>

E. Capital Assets

The District's capital assets are used for governmental activities. The book value was \$9,117,193 (net of accumulated depreciation of \$11,023,381) as of June 30, 2014. Capital assets include land, buildings and improvements, equipment for air

Management's Discussion and Analysis

monitoring stations, computer and office equipment, video conferencing equipment, and District vehicles.

Additional information on capital assets can be found in the "Notes to the Basic Financial Statements" on page 36 of this report.

F. Current Year's Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of \$3,037,106. This amount is comprised solely of compensated absences, including the current portion due of \$216,484. Additional information on the District's compensated absences can be found in Note 4 under the Notes to the Basic Financial Statements section of this report.

G. Current Year's Budget

The District Budget is divided into two sections. The Operating Budget represents those expenditures that directly support the everyday operations of the District including administration of incentive programs. The Non-Operating Budget represents those expenditures for the emission reduction incentive programs administered by the District. In addition to funding provided by the District, various federal and state agencies provide funding for these programs in the form of grants or agreements. Listed below are the major factors that explain the change from the Adopted Budget to the final Adjusted Budget at year-end.

The original Operating Budget adopted in June 2013 was \$43,955,896. No adjustments were made to the appropriations during fiscal year 2013-14. Under District budget policy, all prior unused appropriations lapse at year-end and are re-budgeted. Revenues unrealized as of the fiscal year 2013-14 year-end are re-budgeted in 2014-15. Revenues already received, but unspent, are included in the 2014-15 budget as available Fund Balance.

The Adjusted Non-Operating Budget at June 30, 2014 was \$221,087,865, including \$850,000 appropriated for contingencies. This was an increase of \$98,560,265 over the originally adopted Non-Operating Budget. This increase was due to fewer than expected expenditures occurring in fiscal year 2012-13, which increased that year's ending fund balance. That fund balance was a revenue source for fiscal year 2013-14, supporting the same expenditures as the previous year. Listed below are the major budget additions made during the year:

- \$51,754,663 for DMV related appropriations.
- \$13,048,889 for additional Carl Moyer program expenditures.

Management's Discussion and Analysis

- \$19,013,178 for additional Proposition 1B program expenditures.
- \$7,136,312 for Community Incentive programs.

Operating Budget

Revenues

Actual Operating Revenues at June 30, 2014 were \$45,591,959, as compared to the final Adjusted Budget of \$44,893,898, a positive variance of \$698,061. Revenues were higher than expected in fiscal year 2013-14 due to an increase in Settlements, administrative fees, and in the amount of State and federal grant funds received, particularly Proposition 1B.

Expenditures

Actual Operating Expenditures at June 30, 2014 were \$40,296,463 as compared to the final Adjusted Budget of \$43,955,896, a positive variance of \$3,659,433.

Salaries and Benefits

Actual salary and benefit expenditures at year-end were \$32,039,781 as compared to the final Adjusted Budget of \$33,613,082, a positive variance of \$1,573,301. Salary and benefit savings on vacant positions during the year were the major factor contributing to the positive variance.

Services and Supplies

Actual services and supplies expenditures at year-end were \$5,518,580 as compared to the final Adjusted Budget of \$6,733,605, a positive variance of \$1,215,025. Of the total expenditure amount, \$968,976 was encumbered at year-end. Listed in the table below are the expenditures that make up the variances in the services and supplies accounts.

	Final Adjusted Budget	Actual Expenditures June 30, 2014	Variance Positive (Negative)
Mobile Communications	\$ 238,690	\$ 226,508	\$ 12,182
Equipment Maintenance	1,293,356	1,036,764	256,592
Professional and Specialized Services	5,030,219	4,174,871	855,348
Publications and Legal Notices	171,340	80,437	90,903
Total	<u>\$ 6,733,605</u>	<u>\$ 5,518,580</u>	<u>\$ 1,215,025</u>

Management's Discussion and Analysis

Capital Assets

Actual Capital Outlay expenditures at year-end were \$2,738,102 as compared to the final Adjusted Budget of \$3,609,209, a positive variance of \$871,107. Several planned purchases were delayed until fiscal year 2014-15, contributing to this variance. Listed in the table below are the expenditures that make up the variances in the Capital Assets accounts.

	Final Adjusted <u>Budget</u>	Actual Expenditures <u>June 30, 2014</u>	Variance Positive (Negative)
Office Improvements	\$ 109,000	\$ 20,839	\$ 88,161
Computer Equipment	727,909	630,397	97,512
Automobiles	180,000	155,490	24,510
Office Machines and Equipment	80,000	37,097	42,903
Telephone System	21,900	13,263	8,637
Video Teleconferencing System	746,000	674,774	71,226
Air Monitoring/Detection Equipment	772,600	706,242	66,358
Monitoring Near Roadways	971,800	500,000	471,800
Total	<u>\$ 3,609,209</u>	<u>\$ 2,738,102</u>	<u>\$ 871,107</u>

Non-Operating Budget

Revenues

Actual Non-Operating Revenues at June 30, 2014 were \$82,254,719 as compared to the final Adjusted Budget of \$89,599,525, a negative variance of \$7,344,806. Listed in the table below are the revenues that make up the major variances in Non-Operating Revenues.

	Final Adjusted <u>Budget</u>	Actual Revenues <u>June 30, 2014</u>	Variance Positive (Negative)
Air Toxics	\$ 25,000	\$ 19,447	\$ (5,553)
DMV Surcharge Fees	40,743,000	43,227,097	2,484,097
Carl Moyer Program	7,700,000	8,153,802	453,802
Proposition 1B	28,500,000	22,711,435	(5,788,565)
Lower Emission School Bus Program	1,753,000	691,581	(1,061,419)
Federal and Heavy Duty Grants	3,280,625	2,910,378	(370,247)
Diesel Emission Reduction Act	3,385,000	-	(3,385,000)
CEC - Energy Efficiency Block Grant	150,000	68,375	(81,625)
VERA/ISR Rule Mitigation Funds	2,840,600	3,835,110	994,510
Non-Operating Interest	622,300	504,243	(118,057)
Other Miscellaneous Incentives	600,000	133,251	(466,749)
	<u>\$ 89,599,525</u>	<u>\$ 82,254,719</u>	<u>\$ (7,344,806)</u>

Management's Discussion and Analysis

The \$5,788,565 negative variance for Proposition 1B funds is due to the delay in receipt of this revenue because of the unavailability of funds from the State. These funds are anticipated to be available during the 2014-15 fiscal year.

Expenditures

Actual Non-Operating Expenditures at June 30, 2014 were \$87,525,848 as compared to the final Adjusted Budget of \$221,087,865, a positive variance of \$133,562,017. Listed in the following table are the expenditures that make up the variances in Non-Operating Expenditures.

	Final Adjusted Budget	Actual Expenditures June 30, 2014	Variance Positive (Negative)
Air Toxics-Pass Through	\$ 25,000	\$ -	\$ 25,000
Federal and Heavy Duty Grants	5,301,625	2,910,378	2,391,247
Carl Moyer Program	22,918,889	6,926,979	15,991,910
DMV Surcharge Fees	107,522,363	54,176,795	53,345,568
VERA/ISR Rule Mitigation Program	7,945,587	1,152,919	6,792,668
Proposition 1B Program	49,272,578	14,240,548	35,032,030
Lower Emission School Bus Funds	7,218,834	3,170,887	4,047,947
Greenhouse Gas Support for Cities and Counties	334,539	-	334,539
Community Incentive Programs	17,463,812	3,203,398	14,260,414
CEC - Energy Efficiency Block Grant	199,594	68,818	130,776
Miscellaneous Incentive Programs	2,035,044	1,675,126	359,918
Appropriation for Contingencies	850,000	-	850,000
Total	<u>\$ 221,087,865</u>	<u>\$ 87,525,848</u>	<u>\$ 133,562,017</u>

The District has a policy of not entering into incentive agreements for non-federal grant contracts until grant funds are received by the District. This occasionally results in delayed expenditures. A significant amount of grant funds that were received and appropriated in fiscal year 2013-14, (Carl Moyer Program, Proposition 1B Program, Lower Emission School Bus Program, and Community Incentive Programs) will not be expended on incentive contracts until fiscal year 2014-15 or later. Federal incentive grant contracts are reimbursable grants whereby the District must expend the incentive grant funds prior to receiving reimbursement from the Federal government.

H. Next Year's Budget

The Adopted Budget for fiscal year 2014-15 is \$200,799,694 as compared to the Adjusted Budget for fiscal year 2013-14 of \$265,043,761, a decrease of \$64,244,067. This decrease is mainly due to the difference in anticipated reserves available to be expended in 2014-15 combined with higher Proposition 1B revenue,

Management's Discussion and Analysis

offset by the loss of some Federal Diesel Emissions Reduction Funding and DERA revenue in 2014-15.

I. Economic Factors

It is important to note that the District is relatively self-sufficient with no significant dependence on the state or federal funding for its operating expenditures. In addition, ongoing, long-term forecasts project stable fiscal health for the District. While the District does face a full agenda of challenges, the Governing Board generally has sufficient resources available to meet them.

J. Requests for Information

This financial report is designed to provide a general overview of the District's finances for readers of the financial statements. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Administrative Services, 1990 East Gettysburg Avenue, Fresno, California 93726-0244.

San Joaquin Valley Unified Air Pollution Control District
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and investments	\$ 149,493,288
Accrued revenues	13,235,128
Prepaid expenses	1,592,242
Total current assets	<u>164,320,658</u>
Noncurrent assets:	
Land	904,208
Capital assets, net of accumulated depreciation	8,212,985
Total noncurrent assets	<u>9,117,193</u>
Total Assets	<u>173,437,851</u>
LIABILITIES	
Current liabilities:	
Accounts payable	695,111
Accrued wages payable	979,235
Unearned revenue	205,152
Compensated absences payable	216,484
Total current liabilities	<u>2,095,982</u>
Noncurrent liabilities:	
Compensated absences payable	2,820,622
Total noncurrent liabilities	<u>2,820,622</u>
Total Liabilities	<u>4,916,604</u>
NET POSITION	
Net investment in capital assets	9,117,193
Restricted for:	
Heavy duty programs	16,491,388
DMV surcharge programs	63,405,699
Proposition 1B programs	29,103,977
Other special projects/programs	5,185,429
Unrestricted	45,217,561
Total Net Position	<u>\$ 168,521,247</u>

The notes to the financial statements are an integral part of the this statement.

San Joaquin Valley Unified Air Pollution Control District

Statement of Activities

For the Year Ended June 30, 2014

Program Revenues						Net (Expense) Revenue and Changes in Net Position
Programs	Expenses	Fees and Charges for Services		Operating Grants	Restricted Special Revenue Sources *	Governmental Activities
		Stationary Sources	Mobile Sources			
Governmental Activities:						
Permitting	\$ 13,987,232	\$ 15,520,071	\$2,174,527	\$ 882,373	\$ -	\$ 4,589,739
Enforcement/air monitoring/agricultural burning	12,559,594	7,852,165	2,304,564	821,914	-	(1,580,951)
Plan and rule development	1,780,869	-	1,377,292	206,749	-	(196,828)
Mobile sources	4,526,521	-	5,148,344	-	-	621,823
Outreach and communications	2,453,837	-	2,034,605	-	-	(419,232)
Air quality analysis	3,499,658	-	905,963	121,041	-	(2,472,654)
Restricted for grants and other special uses	87,628,449	-	-	-	82,254,719	(5,373,730)
Total governmental activities	<u>\$ 126,436,160</u>	<u>\$ 23,372,236</u>	<u>\$ 13,945,295</u>	<u>\$ 2,032,077</u>	<u>\$ 82,254,719</u>	<u>(4,831,833)</u>
General Revenues:						
State subvention - not restricted to specific programs						916,805
Interest - not restricted to specific programs						1,049,885
Penalties / settlements						4,204,663
Miscellaneous revenue						70,998
Total general revenues						<u>6,242,351</u>
Change in net position						1,410,518
Net position - beginning, July 1, 2013						<u>167,110,729</u>
Net position - ending, June 30, 2014						<u>\$ 168,521,247</u>

* Restricted Special Revenue Sources consist of pass-through and/or one-time limited duration funding sources that are restricted for specific programs such as the Carl Moyer Program Fund, and Lower Emission School Bus Fund.

The notes to the financial statements are an integral part of this statement.

San Joaquin Valley Unified Air Pollution Control District
Balance Sheet - Governmental Funds
June 30, 2014

ASSETS

Cash and investments	\$ 149,493,288
Accrued revenues	13,235,128
Prepaid items	<u>1,592,242</u>
Total assets	<u><u>\$ 164,320,658</u></u>

LIABILITIES

Accounts payable	\$ 695,111
Accrued wages payable	979,235
Unearned revenue	<u>205,152</u>
Total liabilities	<u><u>1,879,498</u></u>

FUND BALANCE

Nonspendable fund balance	1,592,242
Restricted fund balance	114,186,493
Assigned fund balance	33,345,417
Unassigned fund balance	<u>13,317,008</u>
Total fund balance	<u><u>162,441,160</u></u>
Total liabilities and fund balance	<u><u>\$ 164,320,658</u></u>

The notes to the financial statements are an integral part of this statement.

San Joaquin Valley Unified Air Pollution Control District
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
June 30, 2014

Amounts reported for governmental activities in the statement of net position are different because:

Fund balance - governmental funds	\$ 162,441,160
-----------------------------------	----------------

Land and capital assets net of accumulated depreciation have not been included as financial resources in the governmental fund activity. These capital assets are reported in the statement of net position as capital assets of the District as a whole.	9,117,193
---	-----------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.	<u>(3,037,106)</u>
---	--------------------

Net position of governmental activities	<u><u>\$ 168,521,247</u></u>
---	------------------------------

The notes to the financial statements are an integral part of this statement.

San Joaquin Valley Unified Air Pollution Control District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

Revenues:

License and permit fees	\$ 33,980,262
Administrative fees	3,337,269
Penalties and settlements	4,204,663
Interest	1,049,885
State grants	916,805
Federal grants	2,032,077
Miscellaneous revenue	70,998
Incentive grants	78,378,023
Incentive grant interest	504,243
Federal incentive grants	<u>3,372,453</u>
Total revenues	<u>127,846,678</u>

Expenditures:

Current:

Salaries and benefits	32,039,781
Services and supplies	5,201,603
Grants and other special uses	87,628,449
Capital outlay	<u>1,385,826</u>
Total expenditures	<u>126,255,659</u>

Net change in fund balance	1,591,019
----------------------------	-----------

Beginning fund balance, July 1, 2013	160,850,141
--------------------------------------	-------------

Fund balance, June 30, 2014	<u>\$ 162,441,160</u>
-----------------------------	-----------------------

The notes to the financial statements are an integral part of this statement.

San Joaquin Valley Unified Air Pollution Control District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014

Net Change in Fund Balances - governmental funds	\$ 1,591,019
--	--------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of the capital outlays recorded in the current period.	1,030,905
---	-----------

Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.	(1,166,922)
---	-------------

The net effect of disposal of assets.	(44,499)
---------------------------------------	----------

Increase in compensated absences due in more than one year	<div style="border-top: 1px solid black; display: inline-block;">15</div>
--	---

Change in net position of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 1,410,518</div>
---	--

The notes to the financial statements are an integral part of this statement.

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The San Joaquin Valley Unified Air Pollution Control District (District) is a special district operating under the provisions of Sections 40150 through 40162 of the California Health and Safety Code. The District exists to develop and implement programs on a local level to meet the requirements of state and federal air pollution control laws in the San Joaquin Valley. The San Joaquin Valley Air Basin (SJVAB) comprises eight counties (San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, Tulare, and the Valley portion of Kern), and covers about 25,000 square miles. The District is governed by a fifteen member Board that consists of one representative from the board of supervisors of all eight counties, five council members from Valley cities and two governor-appointed public members. The District operates a network of air monitoring stations, analyzes air quality data and establishes maximum emission levels for stationary, commercial, and industrial facilities that are enforced through the District's permit system.

B. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The District considers accrued revenue to be available if it is collected within 90 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. State and federal grants, vehicle registration fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when the District receives cash.

Government-wide Financial Statements

The District government-wide financial statements include a Statement of Net Position and Statement of Activities. These statements present summaries of governmental activities for the District as a whole.

These statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets and long-term liabilities are included in the accompanying Statement of Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

The Statement of Activities demonstrates the degree to which the direct expenses of a given functional activity are offset by program revenues directly connected with the functional activity. Direct expenses are those that are clearly identifiable with a specific functional activity.

The District's functional activities are broken down into the following categories:

- Permitting
- Enforcement / Air Monitoring / Agricultural Burning
- Plan and Rule Development
- Mobile Sources
- Outreach and Communications
- Air Quality Analysis

The types of transactions reported as program revenues are reported in three categories: 1) Fees and Charges, including stationary source fees from permitted facilities and mobile source fees derived from motor vehicle registrations, 2) Operating Grants that are in support of air pollution program activities, and 3) Restricted Special Revenue Sources. Program revenues are netted with program expenses to present the net cost of each functional activity. Interest income and other miscellaneous revenue that cannot be identified with a program are reported as General Revenues.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements rather than reporting them as expenditures.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance.

Reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences as a result of the integrated approach of the Governmental Accounting Standards Board (GASB) Statement No. 34 reporting.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Using the current financial resources measurement focus means that only current assets and current liabilities are generally included in the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than recording them as fund assets.

C. Fund Types

General Fund

The primary operating fund of the District is used to record transactions relating to its general business operations.

D. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is employed in the General Fund. Purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are recorded as assignment of fund balance for expenditure in a subsequent year. These outstanding encumbrances do not constitute expenditures or liabilities until performance has occurred on the part of the vendors with whom the District has entered into an agreement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements. The cost is recorded as an expense as prepaid items are consumed.

Advances to certain grantee agencies to cover startup costs for ongoing programs are also recorded as prepaid items and will be recorded as expenses on the final claims of the contracts with those agencies.

Prepaid Expenses of the District for the year ended June 30, 2014 consisted of the following:

Travel Advances	\$	84
Loans Receivable		18,794
Grant Advances		1,300,275
Prepaid Medical Insurance		273,089
Total Prepaid Expenses	\$	<u>1,592,242</u>

F. Capital Assets and Depreciation

Land, equipment, buildings and improvements are valued at cost unless obtained by donation in which case the assets are recorded at the appraised value at the date of receipt. Capital asset purchases with values of at least \$2,000 and with an expected useful life greater than one year are capitalized. The District implemented GASB Statement No. 51 and started capitalizing intangible software that was developed internally and met the threshold of \$100,000 for intangible asset capitalization.

Repair and maintenance costs are charged to current expenditures as incurred. Equipment disposed of or no longer required for its existing use is removed from the records at actual or estimated cost.

Depreciation is charged as an expense against operations, and accumulated depreciation is reported on the Statement of Net Position. Property, plant, and equipment of the District are depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	20-40 Years
Air Monitoring and Detection Equipment	5-10 Years
Office Furniture and Other Misc. Equipment	5-10 Years
Telephone Equipment	10 Years
Computer Equipment and Software	5 Years
Automobiles	5 Years

NOTES TO THE BASIC FINANCIAL STATEMENTS

G. Compensated Absences

Regular employees accumulate annual leave. Certain restrictions apply with respect to the accumulation of annual leave and its payment at termination.

The current and noncurrent portion of compensated absences amounted to \$216,484 and \$2,820,622, respectively, and has been reflected in the Statement of Net Position.

H. Self-Insurance

The District is self-insured on comprehensive/collision coverage on all District automobiles. The Special District Risk Management Authority provides coverage for comprehensive general and auto liability, workers' compensation liability, public officials liability, public employees blanket bond, and the replacement cost of property. (See note 6.)

I. Restrictions on Net Position

Total Restricted Net Position at year-end was \$114,186,493. Restricted Net Position is net position that is subject to restrictions beyond the District's control. The programs listed below are subject to restrictions imposed by the grantors of each program. The amounts for each program are as follows:

Heavy-Duty Program - Incentives	\$ 16,491,388
DMV Surcharge Fees - Incentives	63,405,699
DMV Fees - Rollover	233,212
State ERC Bank Program	10,388
Peaker Plant Program	17,538
ISR Rule Mitigation Program	3,595,506
Lower Emission School Bus Program	41,129
DERA – Lower Emission Reduction Programs	215,613
Winery Rule Program	49,820
Proposition 1B Program	29,103,977
Voluntary Emission Reduction Agreements	1,022,223
Total Restricted Net Position	<u>\$ 114,186,493</u>

As these restrictions are also restrictions of fund balance, a description and the purpose of each program can be found in Note 1.J.

NOTES TO THE BASIC FINANCIAL STATEMENTS

J. Fund Balance

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraint placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in spendable form (such as inventory or prepaid expenses) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provision, or by enabling legislation.
- Committed fund balance—amounts constrained to a specific purpose by the District itself, using its highest level of decision-making authority (i.e., District Governing Board). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same level of action to remove or change the constraint.
- Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Governing Board (the Board) or by an official or body to which the Board delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Only positive amounts are reported in the General Fund.

The District Governing Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Governing Board through adoption or amendment of the budget as intended for specific purpose.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance is available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The amounts of various fund balance categories required by GASB Statement No. 54 are as follows:

Nonspendable Fund Balance	<u>\$ 1,592,242</u>
Restricted Fund Balance:	
Heavy-Duty Program - Incentives	16,491,388
DMV Surcharge Fees - Incentives	63,405,699
DMV Surcharge Fees - Rollover	233,212
State ERC Bank Program	10,388
Peaker Plant Mitigation Program	17,538
ISR Rule Mitigation Program	3,595,506
Lower Emission School Bus Program	41,129
DERA – Lower Emission Reduction Program	215,613
Winery Rule Program	49,820
Proposition 1B Program	29,103,977
Voluntary Emission Reduction Program	1,022,223
Total Restricted Fund Balance	<u>114,186,493</u>
Assigned Fund Balance:	
Encumbrances	2,527,501
Community Incentive Programs	27,044,465
Long-Term Building Maintenance	523,000
Contingency Reserve	850,000
Video Teleconferencing and Computer Equipment	350,000
Appropriated FY 2014-15 Budgetary Deficit	2,050,451
Total Assigned Fund Balance	<u>33,345,417</u>
Unassigned Fund Balance:	
General Reserve	4,400,000
Unreserved	8,917,008
Total Unassigned Fund Balance	<u>13,317,008</u>
Total Fund Balance	<u>\$ 162,441,160</u>

Nonspendable Fund Balance:

- The \$1,592,242 fund balance is for prepaid medical, travel and other expenses, long-term notes receivable to the FLEX spending bank account and advances of incentive grants.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Restricted Fund Balance:

- The \$16,491,388 fund balance for the Heavy-Duty Program - Incentives represents monies and related interest identified by the District Governing Board for distribution to qualifying Heavy-Duty Programs. The qualifying programs include the Carl Moyer Program, California Energy Commission (CEC) Funds, Zero Emission Ag Utility, and Miscellaneous Incentive Grants.
- The \$63,405,699 fund balance for DMV Surcharge Fees – Incentives represents monies identified by the District Governing Board for distribution to qualifying agencies or individuals in the District's DMV Heavy-Duty Emissions Program and the DMV Mobile Source Incentives Program.
- The \$233,212 fund balance for the DMV Surcharge Fees – Rollover represents unanticipated revenue and unexpended appropriations specifically identified for District-managed incentive programs, and interest earned on DMV Surcharge Fee monies.
- The \$10,388 fund balance for the State Emission Reduction Credit (ERC) Bank Program represents monies from the California Air Resources Board's NOx and PM ERC Bank Program. The District will use these funds for Heavy-Duty Engine Emission Reduction Program incentives.
- The \$17,538 fund balance for the Peaker Plant Mitigation Program represents monies from new and expanding Power Plants to fund mitigation programs focused on Heavy-Duty Engine Projects. The District will use these funds for Heavy-Duty Engine Emission Reduction Program incentives.
- The \$3,595,506 fund balance for the Indirect Source Review (ISR) Rule Mitigation Program represents funds received from new development projects. These funds will be used as incentive grants for projects that will offset the future projected emissions generated by these development projects.
- The \$41,129 fund balance for the Lower Emission School Bus Program represents funds received from the California Air Resources Board. The District will use these funds for the District's Heavy-Duty Engine Program for school bus replacement and retrofits.
- The \$215,613 fund balance for the DERA - Diesel Emission Reduction Program represents funds from the Environmental Protection Agency passed through to the California Air Resources Board. These funds will be used for the retrofit of school buses.
- The \$49,820 fund balance for the Winery Rule Program represents fees collected under District Rule 4694, Wine Fermentation and Storage Tanks. These funds will be used for projects that will mitigate future projected emissions.

NOTES TO THE BASIC FINANCIAL STATEMENTS

- The \$29,103,977 fund balance for the Proposition 1B Program represents funds received from the California Air Resources Board. These funds will be used for the replacement and retrofit of heavy-duty trucks.
- The \$1,022,223 fund balance for the Voluntary Emission Reduction Program represents funds received from voluntary development mitigation contracts. These funds will be used as incentive grants for projects that will offset the projected future emissions of these development projects.

Assigned Fund Balance:

- The \$2,527,501 fund balance for encumbrances outstanding at June 30, 2014 represents the amount of expenditures that would result if contracts in process at fiscal year-end were completed. Of the total assigned amount, \$968,976 represents encumbrances for services and supplies and \$1,558,524 represents encumbrances for capital assets. This assignment earmarks resources to pay for these contractual obligations by segregating a portion of fund balance.
- The \$27,044,465 was assigned by the District Governing Board for various Community Incentive Programs.
- The \$523,000 was established by the District Governing Board to provide for Long-Term Building Maintenance.
- The \$850,000 was established by the District Governing Board to provide for a Contingency Reserve.
- The \$350,000 was established by the District Governing Board to provide for Video Teleconferencing and Computer Equipment.
- The \$2,050,451 is the portion of existing fund balance that is included as a budgetary resource in the fiscal year 2014-15 budget.

Unassigned Fund Balance:

- From total Unassigned Fund Balance of \$13,317,008 reported on June 30, 2014; \$4,400,000 is a General Reserve that was established by the District Governing Board to provide for additional financial stability.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTES TO THE BASIC FINANCIAL STATEMENTS

L. New Pronouncements

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

The GASB has issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012.

The GASB has issued Statement No. 66, "Technical Corrections – 2012; an amendment of GASB Statements No. 10 and No. 62." The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012.

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

The GASB has issued Statement No. 69, "Government Combinations and Disposals of Government Operations." This Statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). The Statement also provides guidance on how to determine the gain or loss on a disposal of government operations. This Statement applies to all state and local governmental entities. The requirements of this Statement should be applied prospectively and are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.

The GASB has issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees." This Statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e., nonexchange financial guarantees). The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. Guidance is provided for situations where a state or local government extends or receives a nonexchange financial guarantee. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2013.

NOTES TO THE BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2014 consisted of the following:

Petty Cash	\$ 1,050
District Cash Funds	2,800
Change Funds	150
Postage Funds	17,579
Total Cash On Hand	<u>21,579</u>
Wells Fargo Bank	8,390,759
Other Deposits	47
Total Deposits with Financial Institutions	<u>8,390,806</u>
Security Deposit - Leased Property	2,000
Total Other Deposits	<u>2,000</u>
Fresno County Treasurer	140,167,544
Kern County Treasurer	911,359
Total Investments with County Investment Pools	<u>141,078,903</u>
Total Cash and Investments	<u><u>\$ 149,493,288</u></u>

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk and credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
County Investment Pool	N/A	100%	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In other words, the risk that interest rates will rise and reduce the fair value of an investment. Generally, the longer the maturity of an

NOTES TO THE BASIC FINANCIAL STATEMENTS

investment, the greater its sensitivity is to fair value and to changes in market interest rates.

As of June 30, 2014, none of the District's investments are required to disclose interest rate risk.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of the rating required by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, or the District's investment policy, and the actual rating as of year-end for each type. The column marked "Exempt From Disclosure" identifies those investment types for which GASB Statement No. 40 does not require disclosure as to credit risk:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year-End</u>		
				<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
County Investment Pool	<u>\$141,078,903</u>	N/A	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$141,078,903</u>

County of Fresno Treasurer's Investment Pool

The District is a voluntary participant in the County of Fresno Treasurer's Investment Pool that is regulated by the California Government Code (CGC). The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value for the entire Investment Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Investment Pool, which are recorded on an amortized cost basis.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The CGC and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The CGC requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

NOTES TO THE BASIC FINANCIAL STATEMENTS

As of June 30, 2014, all of the District's deposits with financial institutions were held in fully collateralized accounts, as permitted by the CGC.

3. CAPITAL ASSETS AND DEPRECIATION

Capital assets of the District for the year ended June 30, 2014 consisted of the following:

Capital Assets - Governmental Activities				
	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Land	\$ 904,208	\$ -	\$ -	\$ 904,208
Building and Improvements	7,070,263	-	-	7,070,263
Machinery and Equipment	10,387,929	1,030,905	313,782	11,105,052
Intangible Assets	<u>1,061,051</u>	<u>-</u>	<u>-</u>	<u>1,061,051</u>
Totals	19,423,451	1,030,905	313,782	20,140,574
Less Accumulated Depreciation:				
Building and Improvements	1,997,866	210,794	-	2,208,660
Machinery and Equipment	7,236,338	882,622	269,283	7,849,677
Intangible Assets	<u>891,538</u>	<u>73,506</u>	<u>-</u>	<u>965,044</u>
	10,125,742	1,166,922	269,283	11,023,381
Net Book Value of Capital Assets	<u><u>\$ 9,297,709</u></u>	<u><u>\$ (136,017)</u></u>	<u><u>\$ 44,499</u></u>	<u><u>\$ 9,117,193</u></u>

For the year ended June 30, 2014, depreciation expense of \$1,166,922 on capital assets was charged to the District's activities as follows:

Permitting	\$ 259,755
Enforcement / Air Monitoring / Ag Burning	754,085
Plan and Rule Development	27,503
Mobile Sources	73,343
Outreach and Communications	29,016
Air Quality Analysis	<u>23,220</u>
Total Depreciation Expense	<u><u>\$ 1,166,922</u></u>

4. COMPENSATED ABSENCES

When employment with the District is terminated, an employee will receive compensation for all unused annual leave hours.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The following is a summary of earned compensated absences of the District for the year ended June 30, 2014:

July 1, 2013 Balance	\$3,037,121
Plus: Additions	2,083,521
Less: (Reductions)	<u>(2,083,536)</u>
June 30, 2014 Balance	<u><u>\$3,037,106</u></u>
Amount Due within one Year	\$ 216,484
Amount Due More Than One Year	\$2,820,622

5. RETIREMENT PLAN

Plan Description

The District contributes to the Kern County Employees' Retirement Association (KCERA), a cost-sharing, multiple employer, defined benefit pension plan administered by the Board of Retirement. KCERA provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The County Employees' Retirement Law of 1937 assigns the authority to establish and amend benefit provisions to the Kern County Board of Supervisors. KCERA issues a stand-alone financial report and required supplementary information, which may be obtained from KCERA at 1125 River Run Blvd. Bakersfield, California 93311.

Funding Policy

Plan members must contribute a percentage of their annual covered salary, which varies depending upon their age at date of entry in the association. The average percentage was 4.0% during the fiscal year. The District is required to contribute at an actuarially determined rate. The contribution for fiscal year 2013-14 is 38.29% of annual covered payroll for a total amount of \$8,051,657. The contribution requirements of plan members and the District are established and may be amended by the Board of Retirement. The District's contributions to KCERA for each of the last three fiscal years are as follows:

Years Ended	Annual	Percentage
<u>June 30</u>	<u>Required</u>	<u>Contributed</u>
	<u>Contribution</u>	
2014	\$ 8,051,657	100%
2013	\$ 7,576,124	100%
2012	\$ 7,331,907	100%

NOTES TO THE BASIC FINANCIAL STATEMENTS

The District's funded status based on KCERA's most recent actuarial valuation as of June 30, 2013 is as follows (amounts expressed in thousands):

**Kern County Employees' Retirement Association
San Joaquin Valley Unified Air Pollution Control District's Allocation
(amounts expressed in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a) (c)	Funded Ratio (a/b)	Covered Payroll (d)	UAAL as a Percentage of Annual Covered Payroll (c)/(d)
6/30/2013	\$ 67,016	\$ 117,667	\$ 50,651	56.95%	\$ 21,028	240.87%

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in a joint powers authority, the Special District Risk Management Authority (SDRMA), whose purpose is to develop and fund programs of excess insurance for comprehensive liability, workers' compensation, property and employee blanket bonds for its member districts.

For the fiscal year 2013-14, the District contributed \$287,207 to the SDRMA. The District's contributions represented 1.04% of all member contributions.

The District has coverage against claims up to a limit of \$10,000,000 for comprehensive general and auto liability and public official's liability, up to a limit of \$5,000,000 for workers' compensation liability and up to \$400,000 for public employees blanket bond and for the replacement cost of property. The District is entirely self-insured for vehicle damage.

No significant reduction in insurance coverage occurred during the last three fiscal years. Also, during this period, no claim settlement exceeded insurance coverage.

7. DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits them to defer a portion of their salary until future years. For employees hired on or after July 31, 2012, the District provides a match of employee contributions not to exceed six percent of their base salary. These funds are not available to employees until termination, retirement, death or unforeseen emergency.

The deferred compensation plan monies are invested in various investment funds as selected by the participating employees. The available investment options include a

NOTES TO THE BASIC FINANCIAL STATEMENTS

fixed return fund, stock fund, bond fund and a money market fund. All amounts of compensation deferred under the plan and all income attributed to those amounts are held in trust for the exclusive benefit of plan participants and their beneficiaries.

Effective January 1, 1999, federal legislation requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. The District's deferred compensation administrator, MassMutual Financial Group qualifies as a plan trustee to meet the federal requirements. In accordance with GASB Statement No. 32, the District no longer reports plan assets and liabilities in its financial statements. As of June 30, 2014, investments with a fair value of \$23,962,223 were held in trust.

8. COMMITMENTS AND ENCUMBRANCES

Operating Leases

The District is obligated under operating leases for the rental of office space. The District's rental expense was \$438,035 for the year ended June 30, 2014. Future minimum lease payments under these leases are as follows:

Year Ending June 30,	
2015	\$ 424,008
2016	424,008
2017	456,408
2018	456,408
2019 - 2023	2,511,000
Total	<u>\$ 4,271,832</u>

Encumbrances

The District utilizes encumbrance accounting in its governmental funds as explained in Note 1.D. Total encumbrances for the General Fund as of June 30, 2014 were \$2,527,501. Encumbrances are categorized as Assigned Fund Balance.

9. PENDING LITIGATION

There are various lawsuits and claims filed against the District which, in the opinion of the District Counsel, will be resolved with no material adverse effect on the District's financial position or results of operations.

This page is intentionally left blank.

Required Supplementary Information

This page is intentionally left blank.

San Joaquin Valley Unified Air Pollution Control District
General Fund - Budgetary Comparison Schedule
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Adopted	Final Adjusted	Budgetary Basis	Final Budget Positive (Negative)
<u>Operating Budget</u>				
Revenues:				
Vehicle Registration Fees	\$ 10,100,000	\$ 10,100,000	\$ 10,608,024	\$ 508,024
License and Permit Fees	25,654,202	25,437,962	23,513,518	(1,924,444)
Interest	604,000	604,000	1,049,885	445,885
Penalties and Settlements	2,500,000	2,500,000	4,064,926	1,564,926
State Grants	900,000	900,000	916,805	16,805
Federal Grants	2,465,000	2,465,000	2,032,077	(432,923)
Administrative Fees	2,618,196	2,834,436	3,337,269	502,833
Miscellaneous Revenue	52,500	52,500	69,455	16,955
Total Operating Revenues	44,893,898	44,893,898	45,591,959	698,061
Operating Amounts Available For Appropriations	44,893,898	44,893,898	45,591,959	698,061
Expenditures:				
Salaries and Benefits	33,613,082	33,613,082	32,039,781	1,573,301
Services and Supplies	6,733,605	6,733,605	5,518,580	1,215,025
Capital Outlays:				
Office Improvements	109,000	109,000	20,839	88,161
Computer Equipment	727,909	727,909	630,397	97,512
Office Furniture/Equipment	25,000	25,000	14,501	10,499
Office Machines	55,000	55,000	22,596	32,404
Telephone System	21,900	21,900	13,263	8,637
Detection Equipment	25,000	25,000	23,379	1,621
Automobiles	180,000	180,000	155,490	24,510
Video Conferencing System	746,000	746,000	674,774	71,226
Air Monitoring Station Equipment	747,600	747,600	682,863	64,737
Monitoring Near Roadways	971,800	971,800	500,000	471,800
AMS Automation Project	-	-	-	-
Total Capital Outlays	3,609,209	3,609,209	2,738,102	871,107
Total Operating Charges to Appropriations	43,955,896	43,955,896	40,296,463	3,659,433
Excess of Operating Revenues Over Expenditures	938,002	938,002	5,295,496	4,357,494
<u>Non-Operating Budget</u>				
Revenues:				
Air Toxics	25,000	25,000	19,447	(5,553)
DMV Surcharge Fees	40,743,000	40,743,000	43,227,097	2,484,097
Carl Moyer Program	7,700,000	7,700,000	8,153,802	453,802
Proposition 1B	28,500,000	28,500,000	22,711,435	(5,788,565)
Lower Emission School Bus Program	1,753,000	1,753,000	691,581	(1,061,419)
DERA Program Funds	1,425,000	3,385,000	-	(3,385,000)
Federal and Heavy Duty Grants	500,000	3,280,625	2,910,378	(370,247)
CEC - Energy Efficiency Block Grant	150,000	150,000	68,375	(81,625)
VERA/ISR Rule Mitigation Funds	2,840,600	2,840,600	3,835,110	994,510
Non-operating Interest	622,300	622,300	504,243	(118,057)
Other Miscellaneous Incentives	600,000	600,000	133,251	(466,749)
Non-Operating Amounts Available For Appropriations	84,858,900	89,599,525	82,254,719	(7,344,806)
Expenditures:				
Air Toxics-Pass Through	25,000	25,000	-	25,000
Federal and Heavy Duty Grants	2,521,000	5,301,625	2,910,378	2,391,247
Carl Moyer Program	9,870,000	22,918,889	6,926,979	15,991,910
DMV Surcharge Fees	55,767,700	107,522,363	54,176,795	53,345,568
VERA/ISR Rule Mitigation Program	5,853,300	7,945,587	1,152,919	6,792,668
Proposition 1B Program	30,259,400	49,272,578	14,240,548	35,032,030
Lower Emission School Bus Funds	4,819,200	7,218,834	3,170,887	4,047,947
Greenhouse Gas Support for Cities and Counties	250,000	334,539	-	334,539
Community Incentive Programs	10,327,500	17,463,812	3,203,398	14,260,414
CEC - Energy Efficiency Block Grant	150,000	199,594	68,818	130,776
Miscellaneous Incentive Programs	1,834,500	2,035,044	1,675,126	359,918
Total Non-Operating Charges to Appropriations	121,677,600	220,237,865	87,525,848	132,712,017
Excess of Non-Operating Revenues Over Expenditures	(36,818,700)	(130,638,340)	(5,271,129)	125,367,211
Appropriation for Contingencies	850,000	850,000	-	850,000
Net Change to District Fund Balance, June 30, 2014	\$ (36,730,698)	\$ (130,550,338)	\$ 24,367	\$ 130,574,705

NOTES TO THE SCHEDULE OF GENERAL FUND BUDGETED AND ACTUAL EXPENDITURES BUDGETARY BASIS

Note 1 – GENERAL FUND BUDGETARY BASIS RECONCILIATION

The General Fund Budgetary Comparison Schedule on page 43 presents comparisons of the legally Adopted Budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing expenditure data on a budgetary basis differ from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of differences is presented below for the year ended June 30, 2014.

Excess of revenues over expenditures (GAAP Basis)	\$ 1,591,019
Adjustments from budget cash basis to modified accrual basis	<u>(1,566,652)</u>
Excess of revenues over expenditures (Budgetary Basis)	<u><u>\$ 24,367</u></u>

Note 2 - BUDGETING

In accordance with the provisions of the State Health and Safety Code Section 40131, the District's Formation Agreement, and the San Joaquin Valley Unified Air Pollution Control District's (District) Administrative Code, the District prepares and legally adopts a final balanced budget on or before June 30 of each fiscal year. The final Adopted Budget is available for review on the District's website at www.valleyair.org.

Budgetary control is exercised at the object level. All amendments or transfers of appropriations between these levels are authorized by the Executive Director/Air Pollution Control Officer and must be approved by the District Governing Board. The Board also must approve supplemental appropriations financed by unanticipated revenues.

Expenditures, except for Capital Outlays, are controlled at the object level for all program budgets within the District. Capital assets are controlled at the sub-object level.

San Joaquin Valley Unified Air Pollution Control District

Schedule of Funding Progress For the Year Ended June 30, 2014

The District contributes to the Kern County Employees' Retirement Association (KCERA). The District's defined benefit pension plan is a cost-sharing multiple-employer defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The information presented below in the schedule of funding progress and employer contributions relates to the plan as a whole, of which the District is one participating employer.

Kern County Employees' Retirement Association (amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a) (c)	Funded Ratio (a/b)	Covered Payroll (d)	UAAL as a Percentage of Annual Covered Payroll (c)/(d)
12/31/2006	\$ 2,352,028	\$ 3,109,038	\$ 757,010	75.65%	\$ 417,351	181.38%
12/31/2007	2,589,817	3,355,755	765,938	77.18%	453,412	168.93%
6/30/2008	2,654,305	3,671,460	1,017,155	72.30%	482,879	210.64%
6/30/2009	2,780,215	4,205,200	1,424,985	66.11%	559,872	254.52%
6/30/2010	2,794,644	4,457,038	1,662,394	62.70%	559,380	297.19%
6/30/2011	2,839,747	4,672,348	1,832,601	60.78%	539,836	339.47%
6/30/2012	2,960,507	4,894,990	1,934,483	60.48%	543,558	355.89%
6/30/2013	3,120,632	5,108,619	1,987,987	61.09%	555,752	357.71%

Source: Kern County Employees' Retirement Association Actuarial Valuation, June, 30, 2013

This page is intentionally left blank.

This page is intentionally left blank.

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

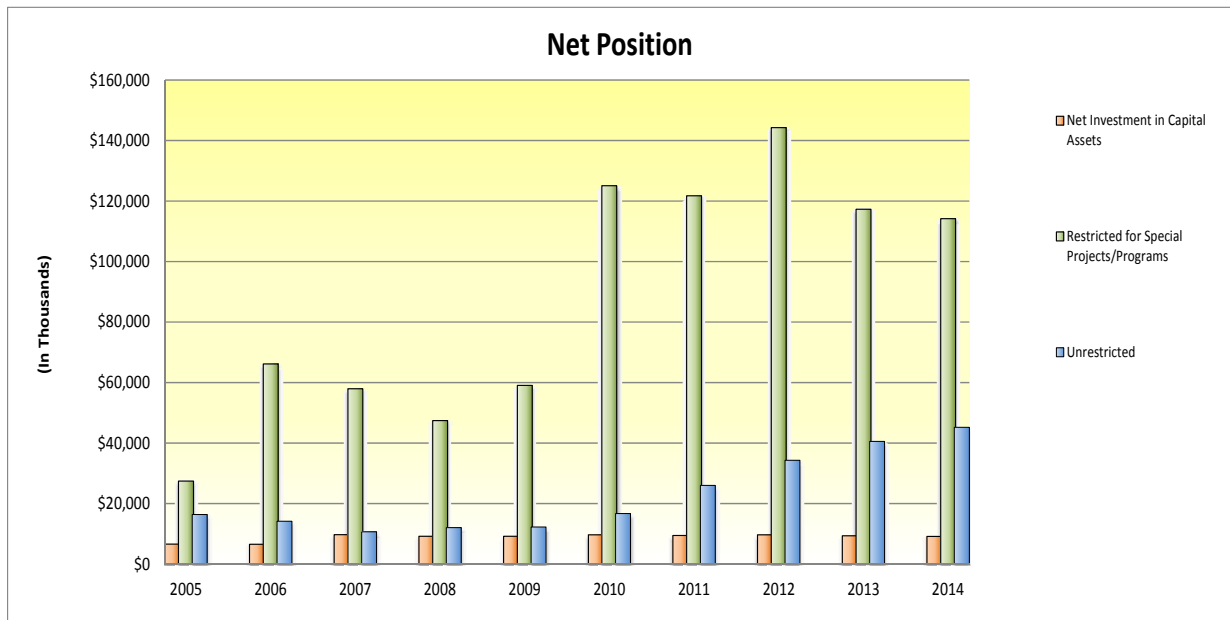
STATEMENT OF NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

(In Thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Current and Other Assets	\$ 46,872	\$ 83,825	\$ 72,106	\$ 63,504	\$ 75,321	\$ 145,587	\$ 151,967	\$ 186,754	\$ 162,777	\$ 164,321
Capital Assets	6,605	6,504	9,740	10,812	10,525	10,684	10,129	9,985	9,298	9,117
Total Assets	53,477	90,329	81,846	74,316	85,846	156,271	162,096	196,739	172,075	173,438
Current Liabilities	1,430	1,849	1,712	2,415	2,141	1,821	1,999	5,769	2,124	2,096
Noncurrent Liabilities	1,581	1,723	1,837	3,337	3,253	3,091	2,914	2,684	2,840	2,821
Total Liabilities	3,011	3,572	3,549	5,752	5,394	4,912	4,913	8,453	4,964	4,917
Net Position:										
Net Investment in Capital Assets	6,605	6,504	9,740	9,160	9,173	9,646	9,421	9,622	9,298	9,117
Restricted for Special Projects/Programs	27,454	66,096	57,905	47,388	59,073	125,061	121,765	144,317	117,304	114,186
Unrestricted	16,407	14,157	10,652	12,016	12,206	16,652	25,997	34,347	40,509	45,218
Total Net Position	<u>\$ 50,466</u>	<u>\$ 86,757</u>	<u>\$ 78,297</u>	<u>\$ 68,564</u>	<u>\$ 80,452</u>	<u>\$ 151,359</u>	<u>\$ 157,183</u>	<u>\$ 188,286</u>	<u>\$ 167,111</u>	<u>\$ 168,521</u>



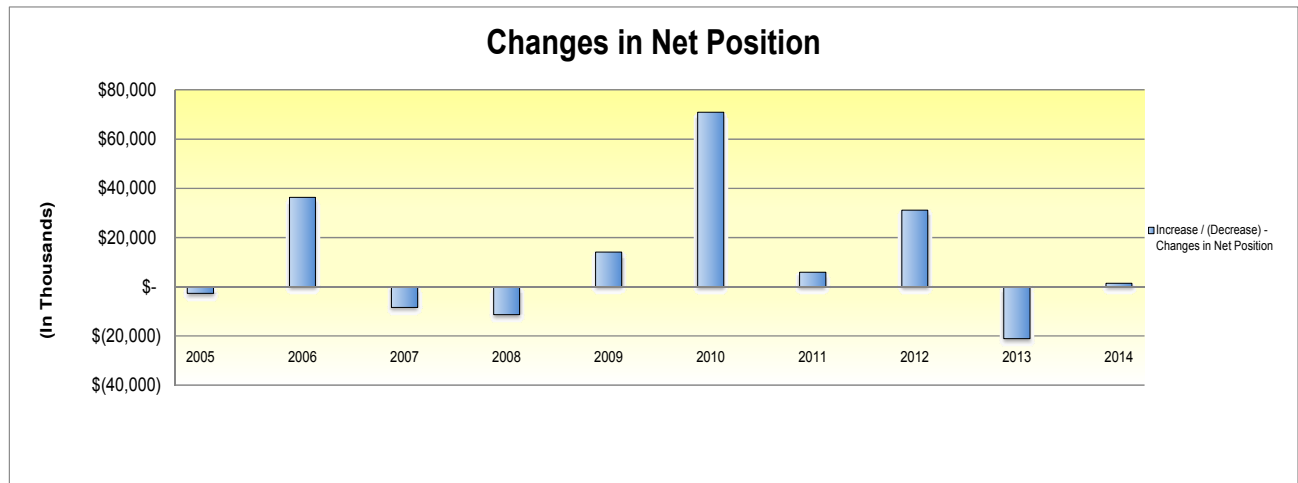
Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

CHANGES IN NET POSITION Last Ten Fiscal Years

(accrual basis of accounting)
(In Thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Program Revenue:										
Fees and Charges - Stationary Sources	\$ 9,312	\$ 10,413	\$ 11,317	\$ 11,559	\$ 15,852	\$ 19,348	\$ 26,861	\$ 23,969	\$ 24,768	\$ 23,372
Fees and Charges - Mobile Sources	13,007	11,329	12,041	11,915	11,872	11,569	11,005	12,963	11,480	13,945
Operating Grants	1,997	2,135	94	3,845	2,055	1,630	2,123	2,201	2,034	2,032
Restricted Special Revenue Sources	7,141	44,101	30,231	26,628	37,347	98,837	55,524	116,154	58,848	82,255
Total Program Revenue	31,457	67,978	53,683	53,947	67,126	131,384	95,513	155,287	97,130	121,604
General Revenues:										
State Subvention	876	884	868	897	899	900	901	917	923	917
Interest	354	424	625	486	653	164	392	552	920	1,050
Penalties/Settlements	3,239	5,393	3,010	4,007	3,605	4,662	6,151	5,715	3,896	4,204
Miscellaneous	243	46	81	125	(11)	30	223	175	150	71
Total General Revenue	4,712	6,747	4,584	5,515	5,146	5,756	7,667	7,359	5,889	6,242
Other Financing Sources - Capital Asset Leases	-	-	-	1,652	-	-	-	-	-	-
Total Revenue & Other Financing Sources	36,169	74,725	58,267	61,114	72,272	137,140	103,180	162,646	103,019	127,846
Expenses:										
Permitting	9,005	9,614	11,230	12,054	12,263	12,758	13,836	14,170	14,222	13,987
Enforcement / Air Monitoring / Ag Burning	9,788	10,755	11,429	12,201	12,275	12,698	12,064	12,111	12,112	12,560
Plan and Rule Development	2,472	2,894	1,854	2,062	2,484	2,035	2,054	1,696	1,540	1,781
Mobile Sources	1,052	1,182	1,526	2,284	2,840	3,315	3,399	3,778	4,380	4,526
Outreach & Communications	1,552	1,806	1,675	2,187	2,276	2,321	2,252	2,216	2,325	2,454
Air Quality Analysis	996	1,421	1,246	1,235	1,156	1,560	3,023	3,336	3,097	3,500
Non-Operating	14,075	10,762	37,768	40,453	24,872	31,546	60,728	94,236	86,518	87,628
Total Expenses	38,940	38,434	66,728	72,476	58,166	66,233	97,356	131,543	124,194	126,436
Increase / (Decrease) - Changes in Net Position	\$ (2,771)	\$ 36,291	\$ (8,461)	\$ (11,362)	\$ 14,106	\$ 70,907	\$ 5,824	\$ 31,103	\$ (21,175)	\$ 1,410



Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

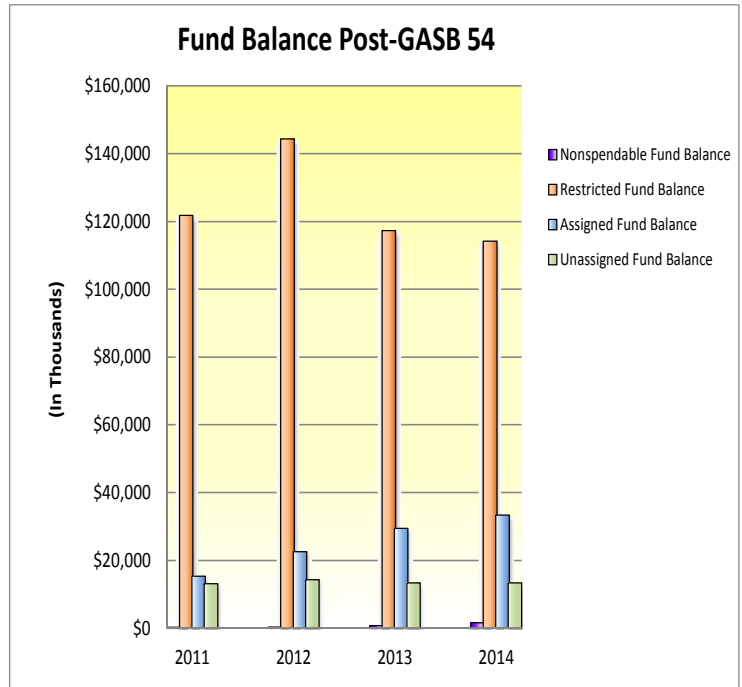
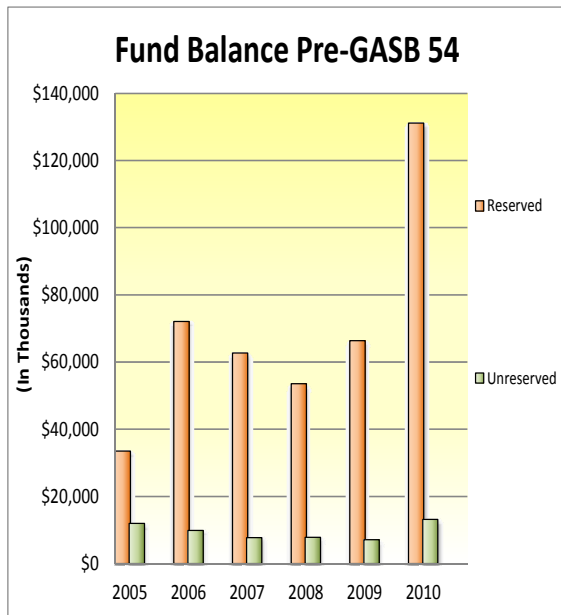
FUND BALANCES, GENERAL FUND

Last Ten Fiscal Years

(modified accrual basis of accounting)

(In Thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund:										
Reserved	\$ 33,531	\$ 72,069	\$ 62,685	\$ 53,583	\$ 66,370	\$ 131,112	\$ -	\$ -	\$ -	\$ -
Unreserved	11,911	9,907	7,710	7,805	7,124	13,162	-	-	-	-
Nonspendable Fund Balance	-	-	-	-	-	-	241	302	757	1,592
Restricted Fund Balance	-	-	-	-	-	-	121,757	144,317	117,304	114,186
Committed Fund Balance	-	-	-	-	-	-	-	-	-	-
Assigned Fund Balance	-	-	-	-	-	-	15,309	22,591	29,431	33,346
Unassigned Fund Balance	-	-	-	-	-	-	13,110	14,332	13,358	13,317
Total General Fund	\$45,442	\$81,976	\$70,395	\$61,388	\$73,494	\$144,274	\$150,417	\$181,542	\$160,850	\$162,441



Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

Note: The District implemented GASB Statement No. 54 under which fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned compared to reserved and unreserved.

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

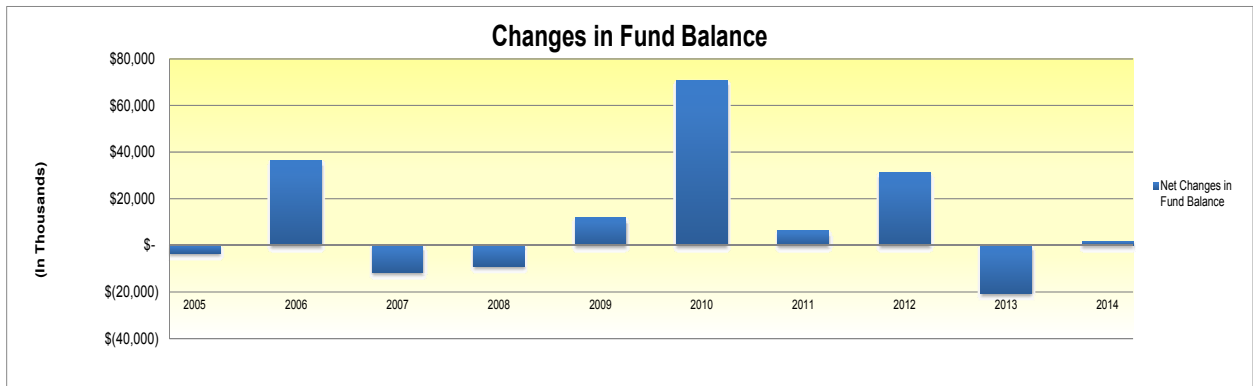
CHANGES IN FUND BALANCE, GENERAL FUND

Last Ten Fiscal Years

(modified accrual basis of accounting)

(In Thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Program Revenues:										
Fees and Charges - Stationary Sources	\$ 9,312	\$ 10,413	\$ 11,317	\$ 11,559	\$ 15,852	\$ 19,348	\$ 26,829	\$ 26,310	\$ 24,768	\$ 23,372
Fees and Charges - Mobile Sources	11,013	11,329	12,041	11,915	11,872	11,569	11,004	10,622	11,480	13,945
Operating Grants	1,996	2,135	94	3,845	2,055	1,630	2,123	2,201	2,034	2,032
Restricted Special Revenue Sources	9,135	44,101	30,231	26,628	37,347	98,837	55,524	116,240	58,848	82,255
General Revenues:										
State Subvention - Not Restricted	876	884	868	897	899	900	901	917	923	917
Interest - Not Restricted	354	424	625	486	653	164	392	552	920	1,050
Penalties/Settlements	3,239	5,393	3,010	4,007	3,605	4,662	6,151	5,715	3,896	4,204
Miscellaneous Revenue	244	46	81	125	100	76	(2)	202	172	71
Total Revenue	<u>36,169</u>	<u>74,725</u>	<u>58,267</u>	<u>59,462</u>	<u>72,383</u>	<u>137,186</u>	<u>102,922</u>	<u>162,759</u>	<u>103,041</u>	<u>127,846</u>
Expenditures:										
Operating:										
Salaries and Benefits	19,825	21,693	23,479	24,195	26,172	27,209	29,723	30,335	30,707	32,040
Services and Supplies	4,038	4,464	3,815	4,247	5,100	5,095	4,998	4,731	5,030	5,201
Capital Outlay	1,617	1,273	4,786	2,854	1,916	2,183	958	1,959	1,105	1,386
Debt Services:										
Principal	-	-	-	-	300	315	330	346	362	-
Interest	-	-	-	-	73	58	43	27	11	-
Total Operating Expenditures	<u>25,480</u>	<u>27,430</u>	<u>32,080</u>	<u>31,296</u>	<u>33,561</u>	<u>34,860</u>	<u>36,052</u>	<u>37,398</u>	<u>37,215</u>	<u>38,627</u>
Non-Operating:										
Pass Through and Non-Operating	14,075	10,762	37,768	40,453	24,872	31,546	60,728	94,236	86,518	87,628
Total Expenditures	<u>39,555</u>	<u>38,192</u>	<u>69,848</u>	<u>71,749</u>	<u>58,433</u>	<u>66,406</u>	<u>96,780</u>	<u>131,634</u>	<u>123,733</u>	<u>126,255</u>
Other Financing Sources - Capital Asset Leases	-	-	-	1,652	-	-	-	-	-	-
Net Changes in Fund Balance - Prior to Adjustment	(3,386)	36,533	(11,581)	(10,635)	13,950	70,780	6,142	31,125	(20,692)	1,591
Adjustment to Fund Balance	-	-	-	1,629	(2,218)	-	-	-	-	-
Net Changes in Fund Balance	<u>\$ (3,386)</u>	<u>\$ 36,533</u>	<u>\$ (11,581)</u>	<u>\$ (9,006)</u>	<u>\$ 11,732</u>	<u>\$ 70,780</u>	<u>\$ 6,142</u>	<u>\$ 31,125</u>	<u>\$ (20,692)</u>	<u>\$ 1,591</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	1.18%	1.14%	1.06%	1.05%	1.03%	0.00%

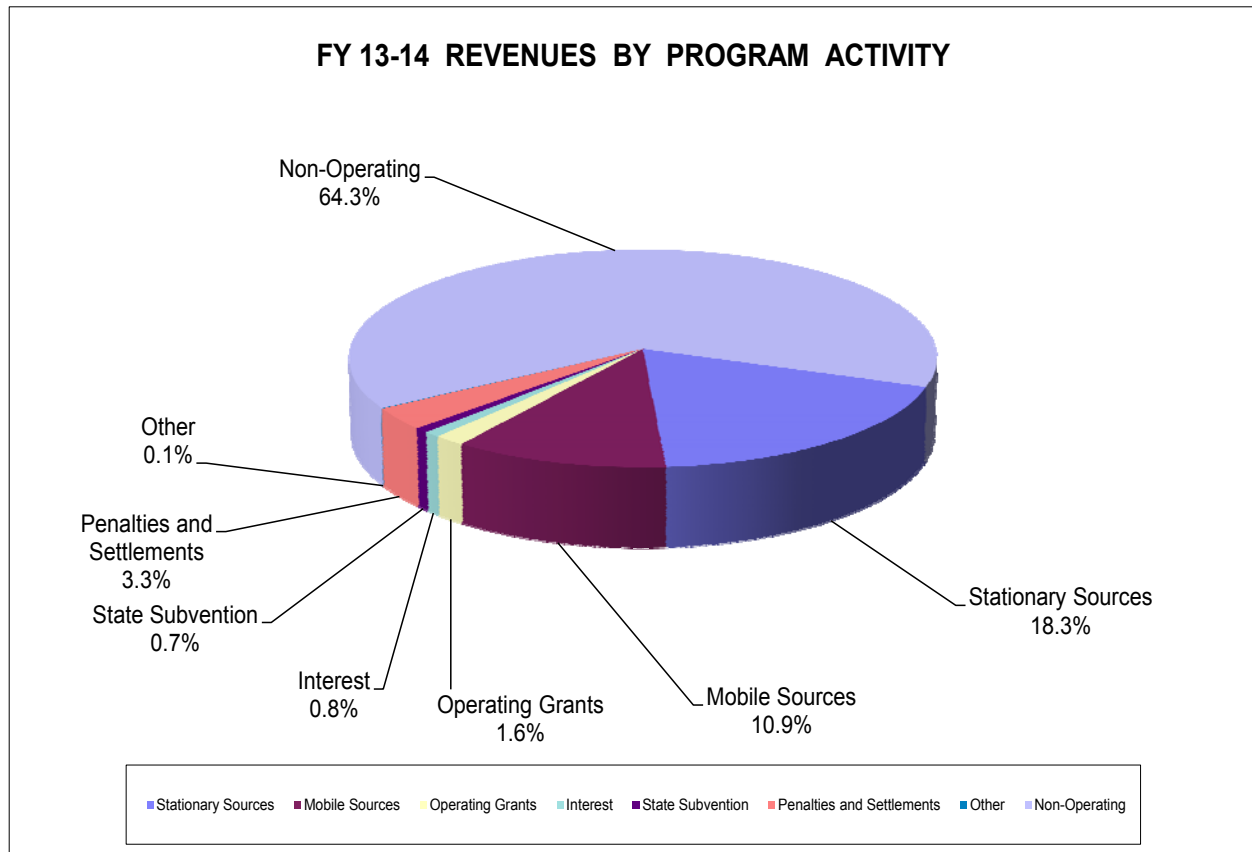


Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

REVENUES BY PROGRAM ACTIVITY Last Five Fiscal Years

Program Activity	2009-10	2010-11	2011-12	2012-13	2013-14
Stationary Sources	\$ 19,347,832	\$ 26,861,373	\$ 23,969,030	\$ 24,767,656	\$ 23,372,236
Mobile Sources	11,568,759	11,004,317	12,962,535	11,479,999	13,945,295
Operating Grants	1,630,002	2,123,425	2,200,999	2,034,170	2,032,077
Interest	164,572	392,185	552,185	919,905	1,049,885
State Subvention	900,090	901,102	916,983	923,280	916,805
Penalties and Settlements	4,661,655	6,151,499	5,715,216	3,895,600	4,204,663
Other	30,522	222,696	175,375	149,587	70,998
Non-Operating	98,837,105	55,523,858	116,153,677	58,848,227	82,254,719
Total Revenues	\$ 137,140,537	\$ 103,180,455	\$ 162,646,000	\$ 103,018,424	\$ 127,846,678



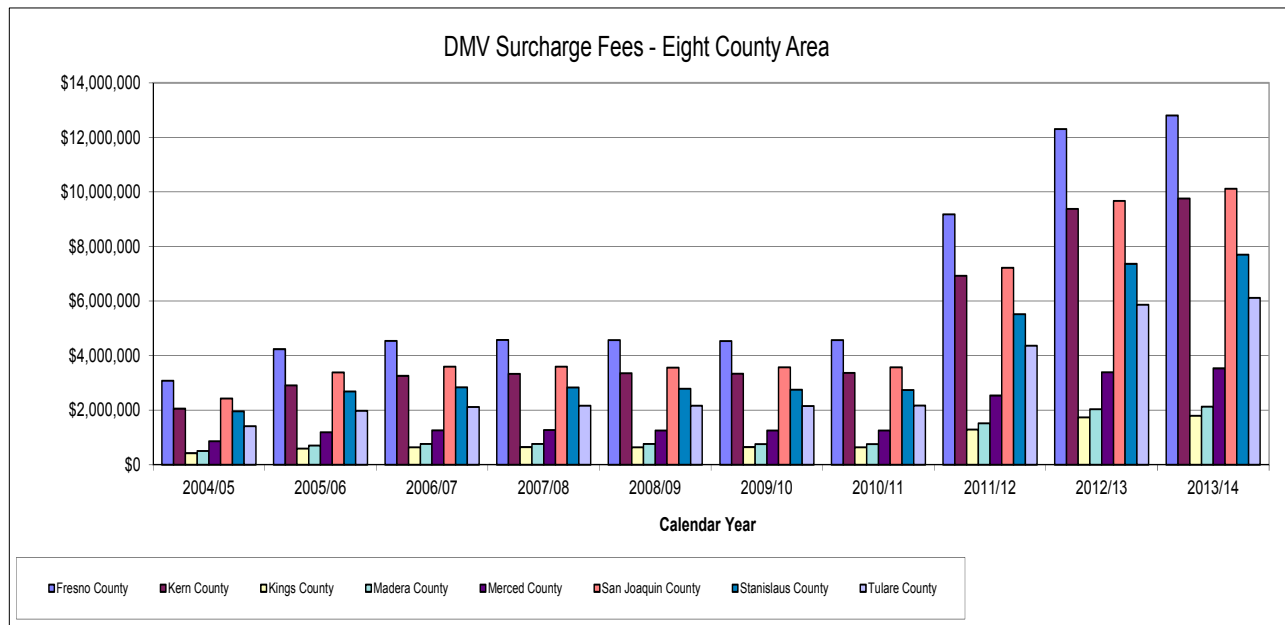
Notes: Other includes: Miscellaneous Revenue and Subscriptions

Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

DMV SURCHARGE FEES - EIGHT COUNTY AREA Last Ten Fiscal Years

Fiscal Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Total	% Increase
2004/05	3,079,191	2,061,601	426,999	509,137	867,833	2,428,456	1,959,813	1,419,005	12,752,035	29.49%
2005/06	4,242,477	2,912,463	596,583	705,113	1,195,142	3,386,635	2,686,686	1,980,099	17,705,198	38.84%
2006/07	4,540,457	3,262,092	638,027	764,935	1,264,960	3,600,963	2,844,147	2,121,519	19,037,100	7.52%
2007/08	4,579,395	3,333,027	649,141	769,579	1,273,970	3,599,834	2,831,833	2,160,649	19,197,428	0.84%
2008/09	4,565,075	3,358,785	645,520	763,627	1,253,828	3,559,192	2,785,930	2,164,078	19,096,035	-0.53%
2009/10	4,538,075	3,335,859	646,014	758,831	1,253,444	3,568,388	2,749,422	2,152,389	19,002,421	-0.49%
2010/11	4,568,020	3,362,490	643,497	761,072	1,253,604	3,568,755	2,741,126	2,172,166	19,070,730	0.36%
2011/12	9,179,990	6,929,110	1,295,433	1,524,931	2,541,760	7,222,200	5,518,649	4,361,007	38,573,080	102.26%
2012/13	12,305,801	9,378,758	1,739,277	2,043,700	3,389,954	9,674,703	7,370,208	5,873,046	51,775,447	34.23%
2013/14	12,808,059	9,761,658	1,802,917	2,130,958	3,535,028	10,115,186	7,703,961	6,117,122	53,974,889	4.25%



Notes: The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare, and the valley portion of Kern County.

Starting in 2011/12 total DMV Surcharge Fees include funds from AB2766, AB2522, SB709, and AB923.

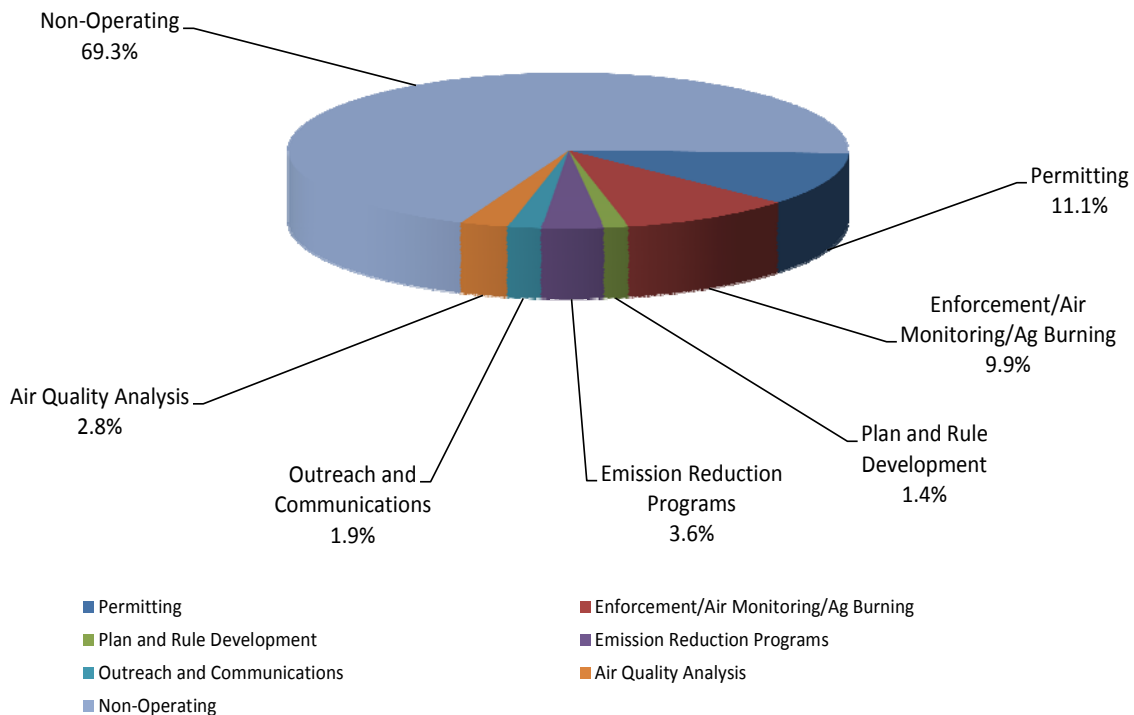
Source: California Department of Motor Vehicles

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

EXPENSES BY PROGRAM ACTIVITY - (Accrual Basis) Last Five Fiscal Years

Program Activity	2009-10	2010-11	2011-12	2012-13	2013-14
Permitting	\$ 12,758,531	\$ 13,835,586	\$ 14,170,277	\$ 14,222,479	\$ 13,987,232
Enforcement/Air Monitoring/Ag Burning	12,697,970	12,063,812	12,110,993	12,112,312	12,559,594
Plan and Rule Development	2,034,991	2,054,340	1,696,327	1,539,504	1,780,869
Emission Reduction Programs	3,315,001	3,399,671	3,778,290	4,379,931	4,526,521
Outreach and Communications	2,320,601	2,251,876	2,215,619	2,324,962	2,453,837
Air Quality Analysis	1,560,082	3,022,735	3,335,839	3,096,749	3,499,658
Non-Operating	31,546,321	60,727,740	94,235,828	86,517,953	87,628,449
Total Expenses	\$ 66,233,497	\$ 97,355,760	\$ 131,543,173	\$ 124,193,890	\$ 126,436,160

FY 13-14 EXPENSES BY PROGRAM ACTIVITY (Accrual Basis)



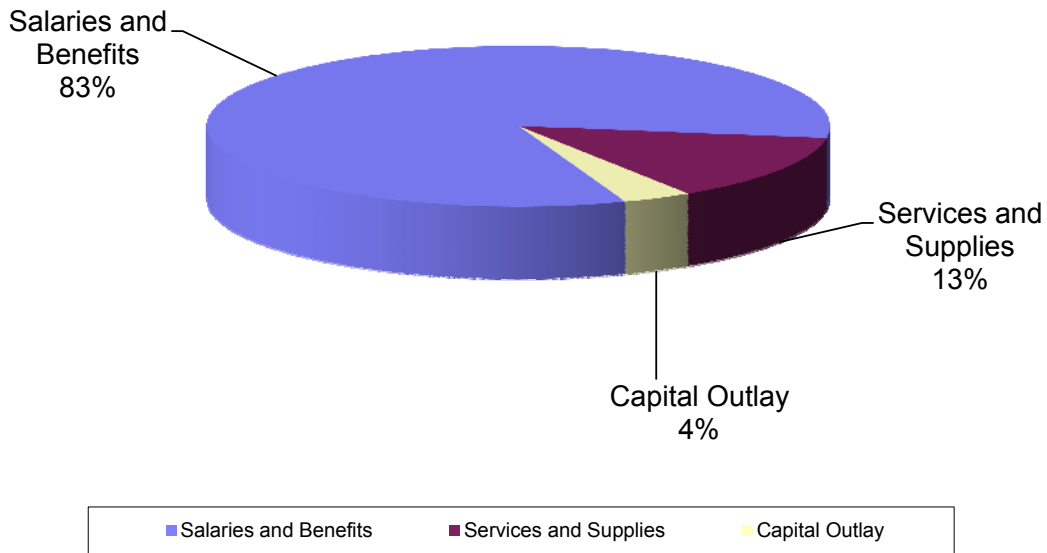
Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

OPERATING EXPENDITURES BY BUDGET OBJECT LEVEL Last Ten Fiscal Years

Fiscal Year	Salaries and Benefits	Services and Supplies	Capital Outlay	Total Operating Expenditures
2004/05	\$ 19,824,791	\$ 4,038,448	\$ 1,617,469	\$ 25,480,708
2005/06	21,693,531	4,463,578	1,273,182	27,430,291
2006/07	23,479,039	3,814,644	4,786,429	32,080,112
2007/08	24,195,285	4,246,694	2,854,440	31,296,419
2008/09	26,171,573	5,099,751	1,543,520	32,814,844
2009/10	27,209,307	5,094,841	2,183,316	34,487,464
2010/11	29,722,716	4,997,940	958,072	35,678,728
2011/12	30,335,317	4,731,489	1,958,679	37,025,485
2012/13	30,707,207	5,030,082	1,104,906	36,842,195
2013/14	32,039,781	5,201,603	1,385,826	38,627,210

FY 13-14 Operating Expenditures by Budget Object Level



Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

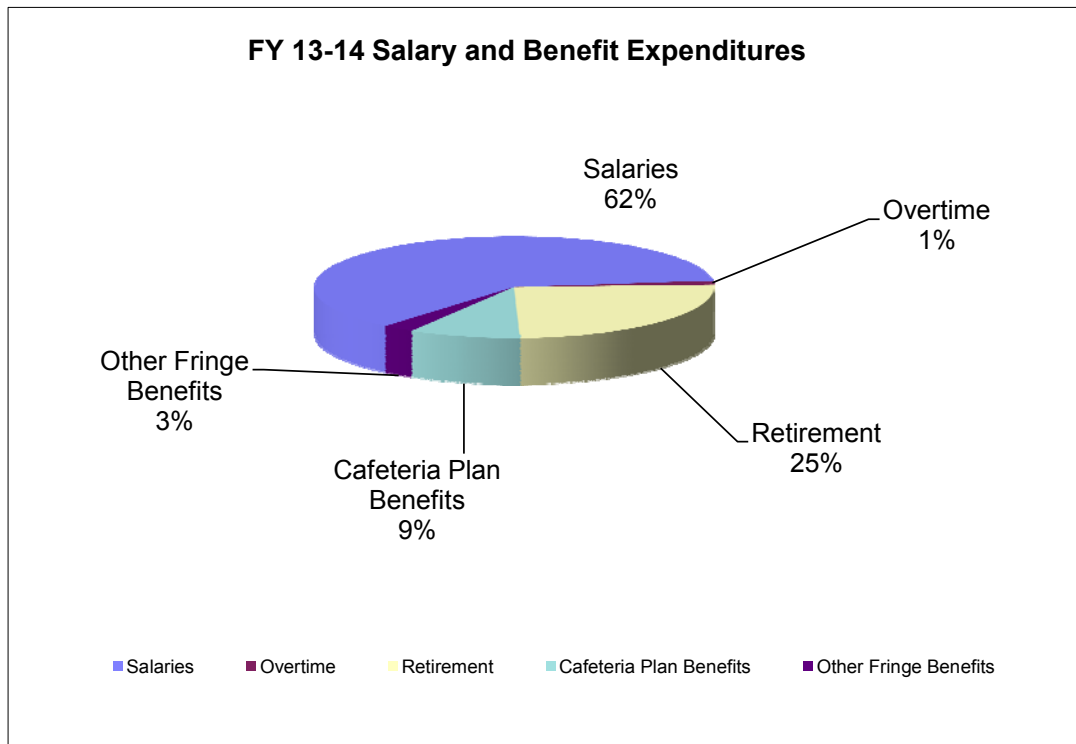
SALARY AND BENEFIT EXPENDITURES Last Ten Fiscal Years

Fiscal Year	Salaries	Overtime	Retirement	Cafeteria Plan Benefits	Other Fringe Benefits	Total Salaries and Benefits
2004/05	\$ 14,325,161	\$ 269,618	\$ 2,701,422	\$ 1,572,390	\$ 956,200	\$ 19,824,791
2005/06	14,850,007	254,625	4,040,114	1,700,021	848,764	21,693,531
2006/07	15,512,732	299,691	5,208,586	1,792,819	665,201	23,479,029
2007/08	16,267,143	276,813	5,078,432	1,909,038	663,859	24,195,285
2008/09	18,065,322	320,202	4,962,833	2,074,820	748,396	26,171,573
2009/10	18,492,855	321,901	5,653,041	2,020,012	721,498	27,209,307
2010/11	19,655,967	338,115	6,962,404	2,006,418	759,812	29,722,716
2011/12	19,729,937	402,265	7,331,907	2,034,625	836,583	30,335,317
2012/13	19,516,057	382,682	7,604,832	2,432,529	771,107	30,707,207
2013/14	19,845,461	361,635	8,117,087	2,889,718	825,880	32,039,781

Notes: Salaries Includes: Regular Salaries, Temporary Help, and On Call Pay.

Other Fringe Benefits Includes: Unemployment Insurance, OASDI Insurance, Worker's Compensation

Contributions, Long Term Disability Insurance, Clean Air Employee Incentive, and Alternate Transportation Incentive.

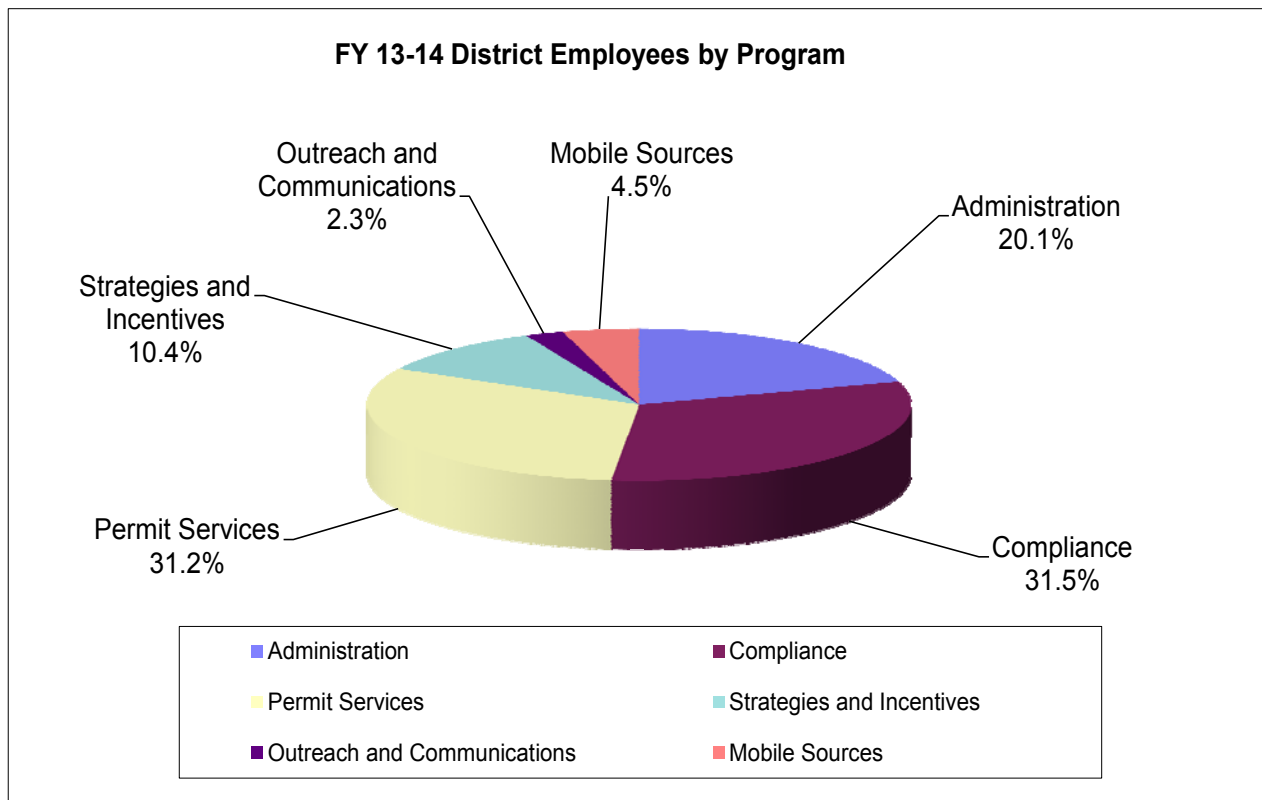


Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

DISTRICT EMPLOYEES BY PROGRAM Last Ten Fiscal Years

*Fiscal Year	Administration	Compliance	Permit Services	Strategies and Incentives	Outreach and Communications	Mobile Sources	Total Employees
2004/05	48	83	85	44	8	10	278
2005/06	50	83	89	45	8	14	289
2006/07	52	83	99	35	8	14	291
2007/08	60	85	95	36	7	23	306
2008/09	62	88	95	36	7	23	311
2009/10	61	97	94	28	7	21	308
2010/11	61	97	94	28	7	21	308
2011/12	61	97	94	28	7	21	308
2012/13	62	97	96	32	7	14	308
2013/14	62	97	96	32	7	14	308



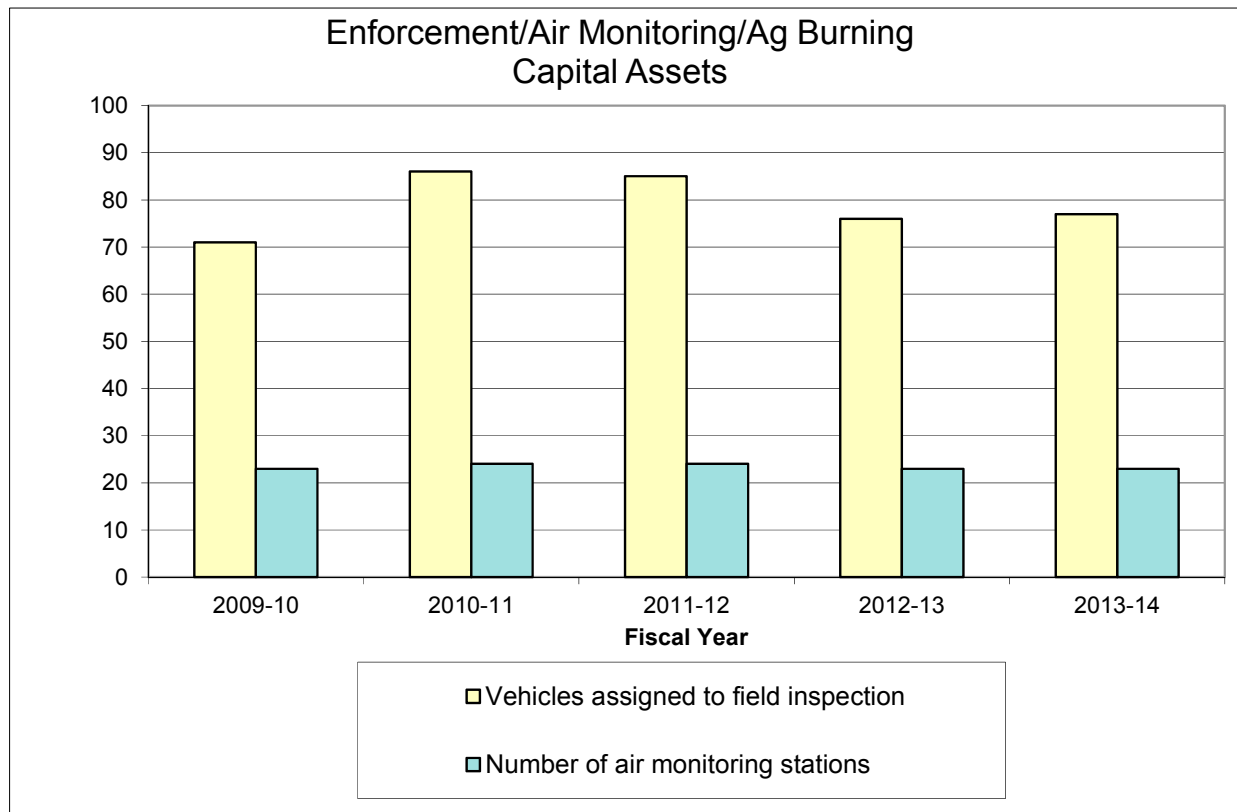
*District Adopted Budget

Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

CAPITAL ASSET STATISTICS BY PROGRAM Last Five Fiscal Years

Program	2009-10	2010-11	2011-12	2012-13	2013-14
Enforcement/Air Monitoring/Ag Burning					
Vehicles assigned to field inspection	71	86	85	76	77
Number of air monitoring stations	23	24	24	23	23
Outreach and Communications					
Vehicles assigned to communications	1	1	1	1	1



Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

OPERATING INDICATORS BY PROGRAM Last Seven Fiscal Years

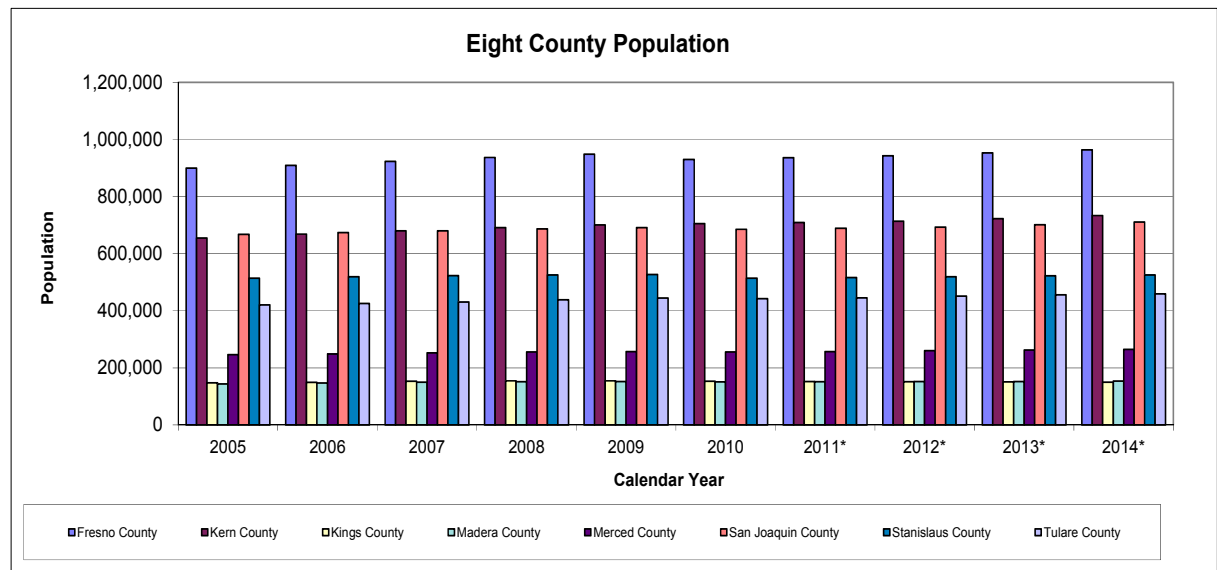
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Program Category</u>							
Permitting							
Authority to construct permits issued	4,032	5,830	5,201	4,995	7,055	4,034	3,575
New permits to operate issued	1,405	523	339	577	227	133	127
New title V permits issued	630	23	414	1,648	238	2,586	214
Title V permit modifications	363	452	642	2,019	8,784	1,532	1,616
Conservation management practices plans issued	572	662	617	573	680	464	260
Emission reduction credit certificates issued or transferred	686	475	339	415	232	346	492
Toxic air contaminant risk-management reviews performed	892	919	806	815	903	987	853
Annual emissions inventory surveys processed	4,500	3,858	4,375	5,465	1,820	7,443	6,758
California environmental quality act review requests	2,471	1,848	1,759	1,416	1,367	1,475	1,769
Indirect source review applications processed	191	166	163	199	214	213	200
Enforcement/air monitoring/ag burning							
Permit units inspected	30,844	36,899	23,532	22,630	31,090	32,529	37,422
Public complaints investigated	2,678	2,801	2,157	2,287	3,239	2,759	3,379
Open burn sites inspected	2,508	2,827	2,508	1,935	1,993	1,697	1,526
Incentive funding units (trucks, engines) inspected	3,649	4,018	2,764	3,584	3,792	5,598	5,503
Asbestos projects reviewed and inspected	727	1,103	1,017	1,974	1,112	967	902
Notices of violation	3,299	3,549	2,948	2,919	3,309	2,560	2,810
Plans and rules developed to Achieve Clean Air							
New rules adopted	25	7	7	10	8	2	4
Outreach and communications							
Media calls	619	417	322	293	305	211	250
Public calls	2,542	2,309	1,415	1,331	1,278	910	1,078
News releases	45	42	43	38	51	43	48
Events & presentations	100	127	145	132	159	51	77
Grants and Incentives							
Contracts awarded	319	461	881	4,919	3,594	4,906	6,008
Amount contracted	\$23,086,922	\$35,782,902	\$55,842,284	\$61,908,384	\$98,116,375	\$107,648,690	\$82,171,567

Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

EIGHT COUNTY POPULATION Last Ten Calendar Years

Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Total	% Increase
2005	899,500	655,100	147,700	144,400	246,800	668,300	514,400	420,600	3,696,800	4.85%
2006	909,400	668,900	149,800	147,200	249,100	674,300	519,300	425,600	3,743,600	1.27%
2007	923,100	680,300	153,300	149,900	252,500	680,200	523,100	431,000	3,793,400	1.33%
2008	936,800	691,800	155,000	151,900	256,100	687,000	526,000	438,300	3,842,900	1.30%
2009	948,500	700,500	154,700	152,900	257,000	691,700	527,100	445,000	3,877,400	0.90%
2010	930,450	705,300	152,982	150,865	255,793	685,306	514,453	442,179	3,837,328	-1.03%
2011*	936,089	709,363	152,533	151,658	257,098	689,160	516,244	445,183	3,857,328	0.52%
2012*	943,509	713,985	151,774	152,327	260,039	693,013	519,350	451,529	3,885,526	0.73%
2013*	953,179	723,378	151,127	152,525	262,390	701,745	523,038	456,037	3,923,419	0.98%
2014*	964,040	733,397	150,181	153,897	264,922	710,731	526,042	459,446	3,962,656	1.00%



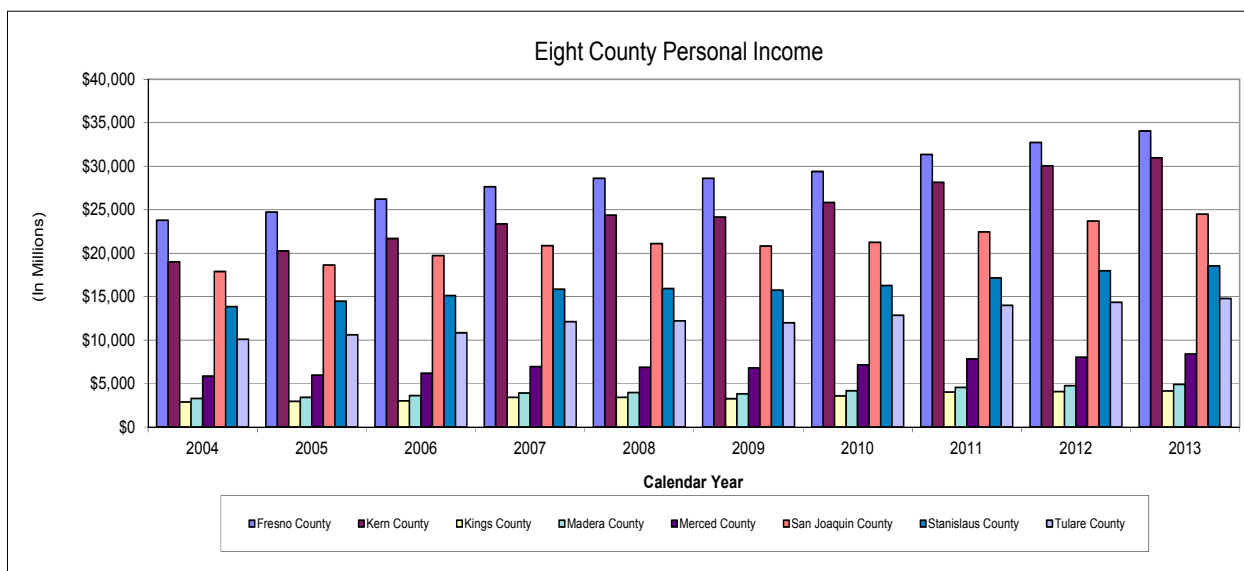
Notes: The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare, and the valley portion of Kern County.

Source: California State Department of Finance - Demographic Research Unit - (SJVUAPCD Portion of Kern County estimated at 84%)

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

EIGHT COUNTY PERSONAL INCOME **Last Ten Calendar Years** *(In Millions)*

Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Total	% Increase
2004	23,796	19,009	2,868	3,279	5,849	17,887	13,837	10,102	96,627	-
2005	24,745	20,267	2,962	3,416	5,972	18,634	14,484	10,612	101,093	4.62%
2006	26,219	21,676	2,992	3,602	6,191	19,732	15,109	10,833	106,353	5.20%
2007	27,634	23,372	3,403	3,918	6,955	20,874	15,864	12,103	114,125	7.31%
2008	28,605	24,392	3,412	3,968	6,864	21,092	15,926	12,219	116,479	2.06%
2009	28,598	24,142	3,260	3,818	6,804	20,810	15,752	11,977	115,160	-1.13%
2010	29,396	25,837	3,578	4,170	7,147	21,262	16,279	12,843	120,511	4.65%
2011	31,354	28,137	4,022	4,555	7,849	22,453	17,164	13,989	129,523	7.48%
2012	32,729	30,061	4,060	4,770	8,039	23,683	17,957	14,343	135,643	4.72%
2013	34,041	30,976	4,138	4,920	8,406	24,481	18,528	14,782	140,273	3.41%



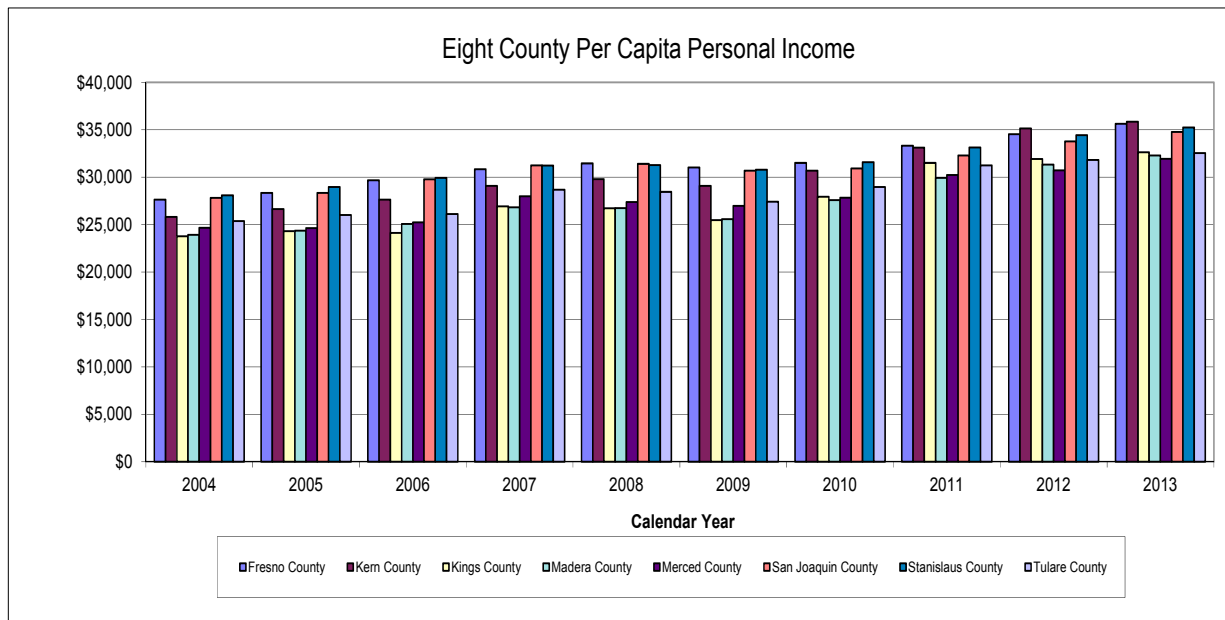
Notes: The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare, and the valley portion of Kern County.

Source: Bureau of Economic Analysis - (SJVUAPCD Portion of Kern County estimated at 84%)

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

EIGHT COUNTY PER CAPITA PERSONAL INCOME Last Ten Calendar Years

Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Eight County Average
2004	27,637	25,817	23,776	23,918	24,660	27,823	28,088	25,368	25,886
2005	28,362	26,642	24,295	24,345	24,623	28,363	28,968	26,011	26,451
2006	29,664	27,630	24,116	25,077	25,235	29,770	29,939	26,110	27,193
2007	30,844	29,096	26,936	26,826	27,985	31,245	31,238	28,672	29,105
2008	31,447	29,807	26,719	26,748	27,396	31,402	31,286	28,464	29,159
2009	31,035	29,082	25,484	25,581	26,969	30,705	30,793	27,408	28,382
2010	31,516	30,693	27,949	27,581	27,835	30,926	31,592	28,968	29,633
2011	33,321	33,123	31,503	29,940	30,232	32,300	33,144	31,246	31,851
2012	34,539	35,139	31,926	31,334	30,726	33,777	34,437	31,801	32,960
2013	35,635	35,847	32,635	32,287	31,935	34,755	35,259	32,550	33,863



Notes: The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare, and the valley portion of Kern County.

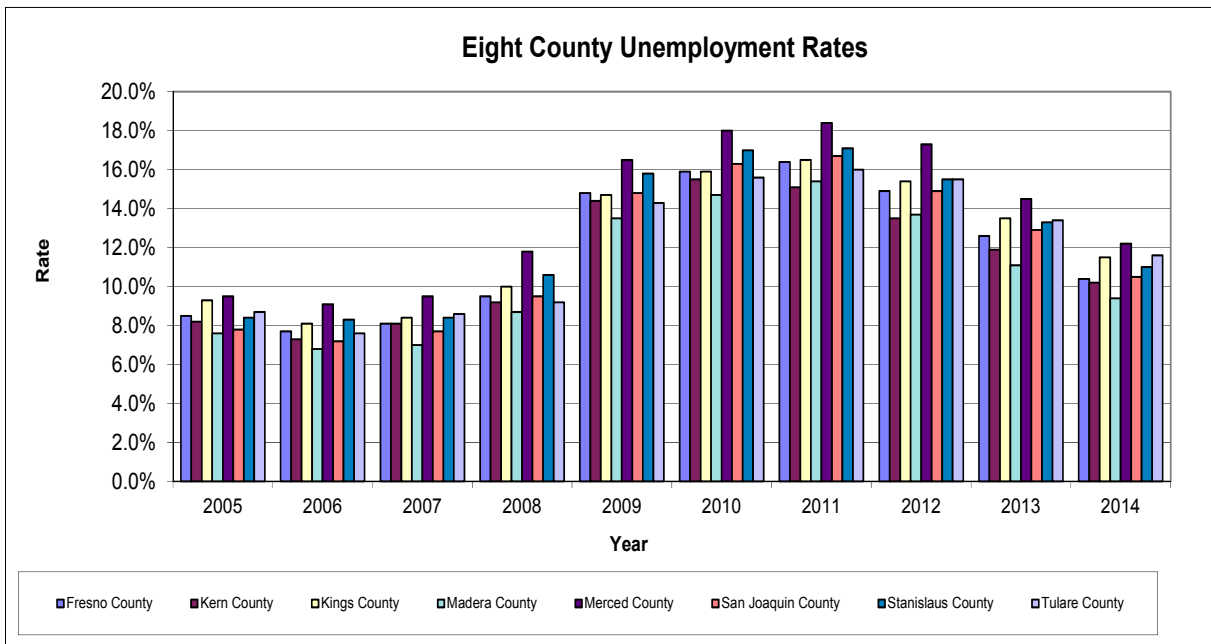
Source: Bureau of Economic Analysis

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

EIGHT COUNTY UNEMPLOYMENT RATES

Last Ten Fiscal Years

Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Eight County Average
2005	8.5%	8.2%	9.3%	7.6%	9.5%	7.8%	8.4%	8.7%	8.5%
2006	7.7%	7.3%	8.1%	6.8%	9.1%	7.2%	8.3%	7.6%	7.8%
2007	8.1%	8.1%	8.4%	7.0%	9.5%	7.7%	8.4%	8.6%	8.2%
2008	9.5%	9.2%	10.0%	8.7%	11.8%	9.5%	10.6%	9.2%	9.8%
2009	14.8%	14.4%	14.7%	13.5%	16.5%	14.8%	15.8%	14.3%	14.9%
2010	15.9%	15.5%	15.9%	14.7%	18.0%	16.3%	17.0%	15.6%	16.1%
2011	16.4%	15.1%	16.5%	15.4%	18.4%	16.7%	17.1%	16.0%	16.5%
2012	14.9%	13.5%	15.4%	13.7%	17.3%	14.9%	15.5%	15.5%	15.1%
2013	12.6%	11.9%	13.5%	11.1%	14.5%	12.9%	13.3%	13.4%	12.9%
2014	10.4%	10.2%	11.5%	9.4%	12.2%	10.5%	11.0%	11.6%	10.9%



Notes: The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare, and the valley portion of Kern County.

Source: California Employment Development Department (Reports ran for June of each year)

San Joaquin Valley Unified Air Pollution Control District

Miscellaneous Statistics

District Established:	March 21, 1991
Area Covered:	25,000 Square Miles
Counties Included in District:	San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, Tulare, and the Valley portion of Kern County
Population:	3,962,656 (2014 Estimate)
Transportation:	Two Transcontinental Railroads – Burlington Northern, Santa Fe and the Union Pacific Six Commercial Airports – Stockton Metro, Modesto, Merced Municipal, Fresno Yosemite, Visalia Municipal, and Meadows Field (Bakersfield) Two Major Interstate Freeways – California State Highway 99 and U.S. Interstate Highway 5 One Major Port – Port of Stockton
Visitor Destinations:	Yosemite National Park, Kings Canyon National Park, Sequoia National Park
Number of Registered Vehicles:	2,757,000 (6/30/14) Estimate
Stationary Sources of Air Pollution	Oil Refineries, Oil Production Equipment, Power Regulated Plants, Manufacturing and Processing Facilities, Boilers and other Combustion Equipment, Emergency Generators, Paint Spray Booths, Service Stations, Agricultural Operations, and Dry Cleaners
Number of Sources:	Approximately 13,700 operating locations with more than 33,000 Permits to Operate and 6,200 Agricultural Conservation Management Practice Plans
Number of Air Monitoring Stations:	29, District, Air Resources Board, Tribal, and National Park Service Combined (Including 2 Lower Air Profilers)
District Full-time Authorized Positions:	304
Adopted Fiscal Year 2014-15 Budget:	\$200,799,694

This page is intentionally left blank.

Northern Region

Serving San Joaquin, Stanislaus and Merced counties

4800 Enterprise Way

Modesto, CA 95356-8718

(209) 557-6400 FAX (209) 557-6475

Central Region

Serving Madera, Fresno and Kings counties

1990 E. Gettysburg Avenue

Fresno, CA 93726-0244

(559) 230-6000 FAX (559) 230-6061

Southern Region

Serving Tulare and Valley air basin portions of Kern counties

34946 Flyover Court

Bakersfield, CA 93308-9725

(661) 392-5500 FAX (661) 392-5585